

CITY OF PASSAIC
PASSAIC COUNTY, NEW JERSEY
REPORT OF AUDIT
FISCAL YEAR ENDED JUNE 30, 2013

CITY OF PASSAIC

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CITY OF PASSAIC

PART I

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Passaic
Passaic, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Passaic, as of June 30, 2013 and 2012, and the related statements of operations and changes in fund balance - regulatory basis for the fiscal years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the fiscal year ended June 30, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles.

As described in Note 1 of the financial statements, the financial statements are prepared and presented by the City of Passaic on the basis of financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey for municipal government entities.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the requirement that the City of Passaic prepare and present its financial statements on the regulatory basis of accounting as discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph above, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Passaic as of June 30, 2013 and 2012, or changes in financial position, or, where applicable, cash flows for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

We were unable to audit the financial activities of the General Fixed Assets Account Group because sufficient documentation was not available to support amounts reported in the financial statements – regulatory basis referred to above. We were unable to satisfy ourselves about the amounts reported by means of other auditing procedures.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the General Fixed Assets Account Group financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds of the City of Passaic as of June 30, 2013 and 2012, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the revenues – regulatory basis and expenditures – regulatory basis of the various funds for the fiscal year ended June 30, 2013 in accordance with the basis of financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Required Supplementary Information

The City has not presented a management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. A management discussion and analysis is not required by the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to supplement the regulatory basis financial statements and therefore it has not been presented by management. Our opinion on the financial statements – regulatory basis is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the City of Passaic as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, schedule of expenditures of state financial assistance as required by NJ OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the City of Passaic.

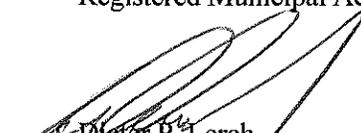
The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2014 on our consideration of the City of Passaic's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Passaic's internal control over financial reporting and compliance.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Peter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
February 6, 2014

CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF JUNE 30, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
REGULAR FUND			
Cash	A-4	\$ 9,751,922	\$ 7,434,230
Cash - Change Fund	A-7	2,600	2,600
Due From State of New Jersey - Senior Citizens and Veterans	A-10	<u>42,496</u>	<u>50,765</u>
		<u>9,797,018</u>	<u>7,487,595</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Tax Receivable	A-12	158,824	59,302
Tax Title Liens Receivable	A-13	270,124	199,773
Revenue Accounts Receivable	A-14	169,569	186,037
Due from Animal Control Fund	B-4	6,896	
Due from Home Investment Program Fund	B-19	79,897	
Due from Sewer Utility Operating Fund	D-12	40,465	83,875
Due from Sewer Utility Capital Fund	D-18	450,000	100,000
Due from Passaic Parking Authority	A-11	<u>51,364</u>	<u>-</u>
		<u>1,227,139</u>	<u>628,987</u>
Deferred Charges			
Emergency Authorizations	A-15	113,655	40,000
Special Emergency Authorizations	A-16	<u>2,160,000</u>	<u>1,980,000</u>
		<u>2,273,655</u>	<u>2,020,000</u>
Total Regular Fund		<u>13,297,812</u>	<u>10,136,582</u>
GRANT FUND			
Cash	A-5	2,468,983	2,691,447
Grants Receivable	A-31	6,719,460	7,581,214
Due from Current Fund	A-9	80,897	68,277
Due from Home Investment Program Fund	A-30		247,294
Due from General Capital Fund	C-15	<u>13,591</u>	<u>-</u>
Total Grant Fund		<u>9,282,931</u>	<u>10,588,232</u>
Grand Total		<u>\$ 22,580,743</u>	<u>\$ 20,724,814</u>

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF JUNE 30, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
LIABILITIES, RESERVES AND FUND BALANCE			
REGULAR FUND			
Liabilities and Reserves			
Appropriation Reserves	A-3,A-20	\$ 2,362,348	\$ 2,232,529
Encumbrances Payable	A-23	1,984,858	741,559
Accounts Payable	A-24	142,962	62,369
Tax Overpayments	A-17	207,059	168,612
Prepaid Taxes	A-18	85,665	82,653
Fees Payable	A-27	23,100	17,342
County Taxes Payable	A-22	522	
Special Emergency Note Payable	A-19	1,560,000	1,980,000
Due to Grant Fund	A-9	80,897	68,277
Due to Other Trust Fund	B-8	9,832	236,567
Due to Community Development Block Grant Fund	B-18		1,723
Reserve for Tax Appeals	A-25	1,583,895	1,304,289
Reserve for Pension	A-28	1,076,755	
Miscellaneous Reserves	A-26	<u>131,527</u>	<u>103,987</u>
		9,249,420	6,999,907
Reserve for Receivables and Other Assets	A	1,227,139	628,987
Fund Balance	A-1	<u>2,821,253</u>	<u>2,507,688</u>
Total Regular Fund		<u>13,297,812</u>	<u>10,136,582</u>
GRANT FUND			
Encumbrances Payable	A-32	3,234,047	765,456
Appropriated Grant Reserves	A-32	4,876,003	8,041,323
Unappropriated Grant Reserves	A-29	1,166,881	1,775,453
Reserve for Program Income	A-33	<u>6,000</u>	<u>6,000</u>
Total Grant Fund		<u>9,282,931</u>	<u>10,588,232</u>
Grand Total		<u>\$ 22,580,743</u>	<u>\$ 20,724,814</u>

CITY OF PASSAIC
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS
CURRENT FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
REVENUES AND OTHER INCOME REALIZED:			
Fund Balance Utilized	A-2	\$ 1,330,000	\$ 1,692,500
Miscellaneous Revenue Anticipated	A-2	25,033,510	30,656,877
Receipts from Delinquent Taxes	A-2	109,382	294,256
Receipts from Current Taxes	A-2	95,723,203	93,183,974
Non-Budget Revenues	A-2	1,199,174	964,201
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-20	561,620	743,993
Unexpended Balance of Sewer Utility Appropriation Reserves	D-12	54,229	24,892
Statutory Excess Animal Control Fund	B-4	6,896	
Appropriated Grant Reserves Cancelled	A		35,129
Interfunds and Other Receivables Liquidated	A	-	325,635
		<u>124,018,014</u>	<u>127,921,457</u>
EXPENDITURES			
Budget Appropriations:			
Operations			
Salaries and Wages	A-3	37,583,321	39,228,744
Other Expenses	A-3	32,421,388	36,107,686
Deferred Charges and Statutory Expenditures	A-3	11,185,878	11,714,173
Capital Improvements	A-3	100,000	
Municipal Debt Service	A-3	2,737,435	2,701,524
County Taxes	A-22	21,529,901	19,967,078
Local District School Taxes	A-21	16,998,497	17,130,406
Grant Receivables Cancelled	A-32	86,937	
Interfunds and Other Receivables Created	A	444,747	183,875
		<u>123,088,104</u>	<u>127,033,486</u>
Excess in Revenue		929,910	887,971
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute Deferred to Budget of Succeeding Year	A-15,A-16	<u>713,655</u>	<u>1,540,000</u>
Statutory Excess to Fund Balance		1,643,565	2,427,971
Fund Balance, Beginning of Year	A	<u>2,507,688</u>	<u>1,772,217</u>
		4,151,253	4,200,188
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>1,330,000</u>	<u>1,692,500</u>
Fund Balance, End of Year	A	<u>\$ 2,821,253</u>	<u>\$ 2,507,688</u>

**CITY OF PASSAIC
STATEMENT OF REVENUES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Reference	2013 Budget	Added by 40A:4-87	Realized in 2013	Excess (Deficit)
Fund Balance Utilized	A-1	\$ 1,330,000	-	\$ 1,330,000	-
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-14	30,000		93,560	\$ 63,560
Other	A-14	40,000		48,166	8,166
Fees and Permits:					
Uniform Construction Code - Fees	A-14	602,262		693,711	91,449
Other	A-14	50,000		61,302	11,302
Fines and Costs:					
Municipal Court	A-14	1,950,000		1,824,306	(125,694)
Energy Receipts Tax	A-14	7,423,497		7,797,574	374,077
Supplemental Energy Receipts Tax	A-14			107,457	107,457
Consol. Municipal Property Tax Relief Aid	A-14	5,121,985		4,640,451	(481,534)
Interest and Costs on Taxes	A-14	252,000		289,181	37,181
Interest on Investments & Deposit	A-14	15,000		12,972	(2,028)
Police Record Bureau	A-14	16,000		16,302	302
Ambulance Billing	A-14	877,753		864,743	(13,010)
Board of Education - Security Watch and Resource Officers	A-14	2,500,000		2,268,086	(231,914)
Agreement - Passaic Parking Authority	A-14	707,000		737,473	30,473
Public and Private Revenues Offset					
With Appropriations:					
Reserve for Alcohol Ed & Rehab	A-29	11,440		11,440	
Reserve for Body Armor Replacement	A-29	14,389		14,389	
Body Armor Replacement Grant	A-31		\$ 13,022	13,022	
Board of Education - Park Grants	A-31		725,000	725,000	
Byrne Memorial Justice Assis.	A-31	232,746		232,746	
Cancer Assessment	A-31	2,407	38,300	40,707	
Clean Communities	A-31		69,402	69,402	
Click it Ticket	A-31		4,000	4,000	
Childhood Leadbase Prevention	A-31	159,250		159,250	
Drunk Driving Enforcement Fund	A-31		46,382	46,382	
Drive Sober or Get Pulled Over	A-31	4,400		4,400	
DOT	A-31		309,160	309,160	
Fire Opportunity	A-31		10,056	10,056	
HEP Inoc	A-31		700	700	
Housing Opportunity - HOPWA	A-31		100,000	100,000	
Juvenile Accountability (Co.)	A-31		55,656	55,656	
Municipal Alliance	A-31		39,689	39,689	
Neighborhood Crime	A-31		33,274	33,274	
Recycling Tonnage	A-31		100,865	100,865	
Ryan White	A-31		58,098	58,098	
Summer Employment	A-31		19,400	19,400	
Summer Food	A-31		430,559	430,559	
Safe & Secure	A-31		90,000	90,000	
Senior Citizen Transportation (Co.)	A-31		60,402	60,402	
Reserve for UEZA	A-29		597,764	597,764	
WIC	A-31	830,382	37,900	868,282	

CITY OF PASSAIC
STATEMENT OF REVENUES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Reference</u>	2013 <u>Budget</u>	Added by 40A:4-87	Realized in <u>2013</u>	Excess (Deficit)
Special Items:					
Cable Franchise Fee	A-14	\$ 279,000		\$ 399,235	\$ 120,235
Saint Mary's Reise Corp. - In Lieu of Taxes	A-14	151,000		165,016	14,016
Chestnut Housing Phase I - In Lieu of Taxes	A-14	66,000		73,400	7,400
Jack Parker Association - In Lieu of Taxes	A-14	292,000		296,335	4,335
Miscellaneous Reserves - PILOT Housing Authority	A-26	103,280		103,280	-
Garden Howe - In Lieu of Taxes	A-14	36,764		35,388	(1,376)
YMCA - In Lieu of Taxes	A-14	30,000		30,000	-
Housing Authority Police Program	A-14	279,996		303,329	23,333
Highview Terrace - In Lieu of Taxes	A-14	58,000		77,600	19,600
County of Passaic - Street Lighting	A-14	60,000	-	-	(60,000)
 Total Miscellaneous Revenues		<u>22,196,551</u>	<u>\$ 2,839,629</u>	<u>25,033,510</u>	<u>(2,670)</u>
 Receipts from Delinquent Taxes	A-2	<u>40,000</u>	<u>-</u>	<u>109,382</u>	<u>69,382</u>
 Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes		57,094,599		56,999,096	(95,503)
Minimum Library Tax		<u>1,095,709</u>	<u>-</u>	<u>1,095,709</u>	<u>-</u>
 Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>58,190,308</u>	<u>-</u>	<u>58,094,805</u>	<u>(95,503)</u>
 Total Revenues	A-3	<u>\$ 81,756,859</u>	<u>\$ 2,839,629</u>	84,567,697	<u>\$ (28,791)</u>
 Non-Budget Revenues	A-2			<u>1,199,174</u>	
				<u>\$ 85,766,871</u>	

CITY OF PASSAIC
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

	<u>Reference</u>	<u>2013</u>
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-12	\$ 96,223,203
Less: Reserve for Tax Appeals Pending	A-25	<u>500,000</u>
Revenues Realized	A-1	95,723,203
Less: Allocated to School and County Taxes	A-21,A-22	<u>38,528,398</u>
Balance for Support of Municipal Budget Appropriations		57,194,805
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>900,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 58,094,805</u>
Receipts from Delinquent Taxes		
Delinquent Tax Collections	A-12	\$ 31,072
Tax Title Liens	A-13	<u>78,310</u>
	A-2	<u>\$ 109,382</u>

Analysis of Non Budget Revenue

Recreation Fees		\$ 55,590
Recycling		144,762
Motor Vehicle Inspection Fines		12,501
Sewer Connection Fees		13,417
Administrative Fees - Police Outside Duty		141,360
Board of Health/Vital Statistics Fees		202,132
City Clerk Fees		12,854
Planning/Engineering Fees		34,082
Passaic Valley Water Commission - Hydrant Inspection		69,000
Administration Fees - Senior Citizen and Veterans		2,606
Parking Authority		64,324
Restitution		5,200
Bus Shelter Franchise		2,400
FEMA - Prior Year Reimbursements		146,330
Bid Specifications		7,785
Prior Year Refunds		250,030
Retiree Drug Subsidy		29,704
Miscellaneous Reimbursements/Receipts		<u>5,097</u>
	A-2	<u>\$ 1,199,174</u>

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Appropriated</u>		<u>Expended</u>		<u>Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Office of Business Administration					
Salaries & Wages	\$ 338,552	\$ 338,552	\$ 334,380	\$ 4,172	
Other Expenses	119,000	119,000	104,672	14,328	
Human Resources					
Office of Personnel					
Salaries & Wages	145,617	146,617	146,405	212	
Other Expenses	5,000	5,000	3,030	1,970	
Mayor and Council					
Office of the Mayor and Council					
Salaries & Wages	296,552	296,552	296,191	361	
Other Expenses	34,000	34,000	30,056	3,944	
City Clerk					
Salaries & Wages	248,505	248,505	247,957	548	
Other Expenses	105,000	105,000	48,254	56,746	
Financial Administration - Treasurer's Office					
Salaries and Wages	510,571	510,571	510,343	228	
Other Expenses	110,000	105,500	97,707	7,793	
Annual Audit					
Other Expenses	63,000	63,000	60,000	3,000	
Revenue Administration - Tax Collector					
Salaries and Wages	210,757	210,757	202,513	8,244	
Other Expenses	25,000	25,000	23,290	1,710	
Tax Assessment Administration					
Salaries and Wages	200,906	206,406	205,735	671	
Other Expenses	52,000	652,000	646,659	5,341	
Legal Services					
Other Expenses	505,000	505,000	502,688	2,312	
Office of Engineer					
Salaries and Wages	130,064	130,064	113,868	16,196	
Other Expenses	10,000	10,000	6,806	3,194	
Economic Development Agencies					
Planning and Economic Development					
Salaries and Wages	147,502	112,302	62,113	50,189	
Other Expenses	3,000	3,000	1,421	1,579	
Division of Housing					
Salaries and Wages	233,776	222,776	177,313	45,463	
Other Expenses	8,000	8,000	6,239	1,761	
Redevelopment Agency	10,000	10,000	10,000	-	
LAND USE ADMINISTRATION					
Planning Board					
Other Expenses	10,000	10,000	6,669	3,331	
Board of Adjustment					
Other Expenses	16,000	16,000	12,010	3,990	
CODE ENFORCEMENT AND ADMINISTRATION					
Rent Leveling Board					
Salaries and Wages	1	1		1	
Other Expenses	5,200	5,200	5,000	200	
INSURANCE					
Liability Insurance	1,367,459	1,417,459	1,367,000	50,459	
Workmen's Compensation	1,327,226	1,327,226	1,321,324	5,902	
Employee Group Insurance	13,256,060	13,256,060	12,865,730	390,330	
Health Benefit Waiver	7,200	8,400	7,400	1,000	
Unemployment Insurance	400,000	350,000	299,999	50,001	

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Appropriated</u>		<u>Expended</u>		<u>Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	\$ 16,314,357	\$ 16,314,357	\$ 16,023,943	\$ 290,414	
Other Expenses	283,910	270,410	234,720	35,690	
BOE Security Watch and Res. Off.-Salaries & Wages	2,500,000	2,500,000	2,268,228	231,772	
Office of Emergency Management					
Salaries & Wages	839,991	839,991	836,372	3,619	
Other Expenses	25,000	26,500	24,811	1,689	
Fire Department					
Salaries and Wages	9,584,038	9,608,538	9,600,573	7,965	
Other Expenses	75,000	89,000	78,257	10,743	
Prosecutor's Office					
Other Expenses	216,900	181,600	154,985	26,615	
Municipal Court					
Salaries and Wages	816,894	827,394	824,301	3,093	
Other Expenses	120,624	148,624	146,645	1,979	
Public Defender (PL 1997 C.256)					
Other Expenses	51,700	51,700	31,423	20,277	
Passaic Parking Authority					
Salaries & Wages	467,000	467,000	456,577	10,423	
Other Expenses	197,498	197,498	197,498		
Other Expenses - Contribution	10,000	10,000		10,000	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries & Wages	1,551,562	1,551,562	1,536,926	14,636	
Other Expenses	143,000	165,500	157,595	7,905	
Solid Waste Collection					
Other Expenses					
Garbage Removal Contractual	1,796,000	1,796,000	1,795,343	657	
Buildings and Grounds					
Salaries and Wages	677,986	677,986	666,550	11,436	
Other Expenses	144,000	166,500	166,191	309	
Vehicle Maintenance					
Salaries & Wages	349,128	349,128	347,274	1,854	
Other Expenses	264,000	306,000	293,521	12,479	
HEALTH AND HUMAN SERVICES					
Public Health Services					
Division of Health					
Salaries and Wages	566,915	551,915	508,205	43,710	
Other Expenses	156,700	156,700	149,750	6,950	
Animal Regulation					
Salaries and Wages	110,325	110,825	110,592	233	
Other Expenses	30,000	30,500	27,633	2,867	

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Appropriated</u>		<u>Expended</u>		<u>Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PARK AND RECREATION FUNCTIONS					
Division of Recreation					
Salaries and Wages	\$ 261,481	\$ 305,981	\$ 303,766	\$ 2,215	
Other Expenses	100,000	138,000	124,496	13,504	
Senior Citizens					
Salaries and Wages	131,387	115,887	94,356	21,531	
Other Expenses	8,000	8,000	6,091	1,909	
Handicapped Recreation					
Salaries & Wages	84,000	80,300	78,794	1,506	
Other Expenses	26,000	26,000	24,863	1,137	
Maintenance of Parks					
Salaries & Wages	544,408	531,408	517,572	13,836	
Other Expenses	55,000	173,155	167,314	5,841	
OTHER COMMON OPERATING FUNCTIONS					
Accumulated Leave					
Other Expenses	364,180	364,180	364,180		
Celebration of Public Events	1	1			1
Retired III Employees					
Other Expenses	100	100			100
UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17)					
Division of Code Enforcement					
Salaries and Wages	321,946	327,946	326,171	1,775	
Other Expenses	35,200	35,200	32,763	2,437	
UNCLASSIFIED:					
Utilities:					
Electricity	650,000	650,000	563,015	86,985	
Street Lighting	856,000	856,000	769,023	86,977	
Telephone and Telegraph	130,000	130,000	113,351	16,649	
Heating Oil	5,000	5,000	2,779	2,221	
Gasoline	506,500	476,500	447,477	29,023	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Tipping Fees	<u>2,253,499</u>	<u>2,253,499</u>	<u>2,091,000</u>	<u>162,499</u>	<u>-</u>
Total Operations Within "CAPS"	<u>63,526,178</u>	<u>64,330,333</u>	<u>62,387,696</u>	<u>1,942,637</u>	<u>-</u>
Detail:					
Salaries & Wages	<u>37,584,221</u>	<u>37,583,321</u>	<u>36,797,018</u>	<u>786,303</u>	<u>-</u>
Other Expenses	<u>25,941,957</u>	<u>26,747,012</u>	<u>25,590,678</u>	<u>1,156,334</u>	<u>-</u>
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
DEFERRED CHARGES					
Anticipated Deficit Sewer Utility	395,843	395,843	13,765		\$ 382,078
STATUTORY CHARGES					
Public Employees Retirement System	1,615,881	1,615,881	1,458,207	157,674	
Social Security System (O.A.S.I.)	1,430,000	1,339,500	1,284,080	55,420	
Police and Fireman's Retirement System	7,480,479	7,480,479	7,334,956	145,523	
Pension for Widows	2,245	2,245	2,245		

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS" (Continued)					
STATUTORY CHARGES (Continued)					
Public Employees Retirement System-ERI	\$ 192,125	\$ 192,125	\$ 190,483	\$ 1,642	
Consolidated Police and Firemen's Pension Fund	71,883	71,883	71,882	1	
Deferred Compensation Retirement Plan	10,000	10,000	8,051	1,949	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	11,198,456	11,107,956	10,363,669	362,209	\$ 382,078
Total General Appropriations for Municipal Purposes Within "CAPS"	74,724,634	75,438,289	72,751,365	2,304,846	382,078
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library	1,159,551	1,159,551	1,159,551		
Employee Group Insurance	260,182	260,182	260,182		
Recycling Tax	100,000	100,000	90,062	9,938	-
Total Other Operations - Excluded From "CAPS"	1,519,733	1,519,733	1,509,795	9,938	-
Public and Private Programs Offset by Revenues					
Edward Byrne Memorial Justice Assistance					
Grant (JAG)-ARRA	232,746	232,746	232,746		
Cancer Assessment Grant	2,407	40,707	40,707		
Childhood Lead Paint	159,250	159,250	159,250		
Reserve for Alcohol Education & Rehab	11,440	11,440	11,440		
Drunk Driving Enforcement Fund		46,382	46,382		
Department of Transportation		309,160	309,160		
Fire Assistance - FEMA		12,570	12,570		
Recycling Tonnage Grant		100,865	100,865		
Hepatitis Inoculation		700	700		
Safe & Secure Communities Grant		90,000	90,000		
Women, Infant & Children (WIC)	830,382	868,282	868,282		
Ryan White Title I		58,098	58,098		
Urban Enterprise Zone		597,764	597,764		
Drive Sober or Get Pulled Over	4,400	4,400	4,400		
Clean Communities Program		69,402	69,402		
Juvenile Accountability Incentive Block Grant (JAIBG)		55,656	55,656		
Occupant Protection Program - Click It or Ticket 2011		4,000	4,000		
Summer Employment		19,400	19,400		
Summer Food Grant		430,559	430,559		
Passaic Board of Education - Parks		725,000	725,000		
Senior Citizen Transportation		60,402	60,402		
Reserve for Body Armor Grant	14,389	14,389	14,389		
Body Armor Grant		13,022	13,022		
Matching Funds for Grants	60,000	47,564		47,564	
Neighborhood Crime Prevention		33,274	33,274		
Municipal Alliance on Alcoholism and Drug Abuse		49,611	49,611		
Housing Opportunity HOPWA Grant	-	100,000	100,000	-	-
Total Public and Private Program Offset by Revenues	1,315,014	4,154,643	4,107,079	47,564	-
Total Operations - Excluded from "CAPS"	2,834,747	5,674,376	5,616,874	57,502	-
Detail:					
Other Expenses	2,834,747	5,674,376	5,616,874	57,502	-

**CITY OF PASSAIC
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 100,000	\$ 100,000	\$ 100,000	-	-
Total Capital Improvements - Excluded from "CAPS"	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,979,484	1,979,484	1,979,484		
Interest on Bonds	660,662	660,662	660,660		\$ 2
Interest on Notes	13,700	13,700	13,662		38
Payment of Loan Principal and Interest	<u>83,632</u>	<u>83,632</u>	<u>83,629</u>	-	<u>3</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>2,737,478</u>	<u>2,737,478</u>	<u>2,737,435</u>	-	<u>43</u>
DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"					
Emergency Authorization	40,000	40,000	40,000		
Special Emergency Authorization - 5 Years	<u>420,000</u>	<u>420,000</u>	<u>420,000</u>	-	-
Total Deferred Charges Municipal - Excluded from "CAPS"	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>6,132,225</u>	<u>8,971,854</u>	<u>8,914,309</u>	\$ 57,502	43
Subtotal General Appropriations	80,856,859	84,410,143	81,665,674	2,362,348	382,121
Reserve for Uncollected Taxes	<u>900,000</u>	<u>900,000</u>	<u>900,000</u>	-	-
Total General Appropriations	<u>\$ 81,756,859</u>	<u>\$ 85,310,143</u>	<u>\$ 82,565,674</u>	<u>\$ 2,362,348</u>	<u>\$ 382,121</u>
	<u>Reference</u>	A-2	A-1	A,A-1	
Budget	A-2	\$ 81,756,859			
Emergency Appropriations	A-15	113,655			
Special Emergency Appropriations	A-16	600,000			
Appropriation by 40A:4-87	A-2	<u>2,839,629</u>			
		<u>\$ 85,310,143</u>			
Cash Disbursed	A-4		\$ 71,456,789		
Encumbrances Payable	A-23		1,984,858		
Accounts Payable	A-24		399		
Deferred Charges:					
Emergency Authorizations	A-15		40,000		
Special Emergency Authorizations	A-16		420,000		
Due to Grant Fund	A-9		4,107,079		
Due to Other Trust Fund	B-8		3,642,784		
Due to Sewer Utility Operating Fund	D-12		13,765		
Reserve for Uncollected Taxes	A-2		<u>900,000</u>		
			<u>\$ 82,565,674</u>		

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF JUNE 30, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-1	\$ 48,598	\$ 47,030
		<u>48,598</u>	<u>47,030</u>
OTHER TRUST FUND			
Cash	B-1	6,270,404	4,348,818
Other Receivables	B-7	19,416	19,416
Due from Current Fund	B-8	9,832	236,567
Due from Sewer Utility Operating Fund	B-9	<u>200,000</u>	<u>-</u>
		<u>6,499,652</u>	<u>4,604,801</u>
COMMUNITY DEVELOPMENT BLOCK GRANT FUND			
Cash	B-1	45,171	28,056
Due from HUD	B-12	1,358,945	1,737,248
Other Receivables	B-15	155,454	155,454
Due from Current Fund	B-18	<u>-</u>	<u>1,723</u>
		<u>1,559,570</u>	<u>1,922,481</u>
HOME INVESTMENT PROGRAM FUND			
Cash	B-1	54,220	220,376
Due from HUD	B-14	578,779	413,283
Mortgage Receivable	B-16	<u>450,730</u>	<u>446,267</u>
		<u>1,083,729</u>	<u>1,079,926</u>
Total Assets		<u>\$ 9,191,549</u>	<u>\$ 7,654,238</u>

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF JUNE 30, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Encumbrances Payable	B-6	\$ 2,970	\$ 5,940
Due State of New Jersey	B-2	124	169
Due to Current Fund	B-4	6,896	
Reserve for Animal Control Expenditures	B-3	<u>38,608</u>	<u>40,921</u>
		<u>48,598</u>	<u>47,030</u>
OTHER TRUST FUND			
Due to State of New Jersey - Unemployment	B-10	24,980	35,552
Miscellaneous Reserves and Deposits	B-11	<u>6,474,672</u>	<u>4,569,249</u>
		<u>6,499,652</u>	<u>4,604,801</u>
COMMUNITY DEVELOPMENT BLOCK GRANT FUND			
Reserve for Program Expenditures - UDAG	B-17	8,122	8,122
Reserve for Program Expenditures - CDBG	B-13	<u>1,551,448</u>	<u>1,914,359</u>
		<u>1,559,570</u>	<u>1,922,481</u>
HOME INVESTMENT PROGRAM FUND			
Due to Current Fund	B-19	79,897	
Due to Grant Fund	B-21		247,294
Reserve for Loan Receivable	B-16	450,730	446,267
Reserve for Home Investment Program	B-20	<u>553,102</u>	<u>386,365</u>
		<u>1,083,729</u>	<u>1,079,926</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 9,191,549</u>	<u>\$ 7,654,238</u>

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF JUNE 30, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Cash	C-2,C-3	\$ 273,600	\$ 1,468,071
Grants and Loans Receivable	C-4	1,500,000	1,500,000
Deferred Charges to Future Taxation			
Funded	C-6	15,337,794	17,389,422
Unfunded	C-7	<u>2,510,258</u>	<u>1,109,008</u>
 Total Assets		 <u>\$ 19,621,652</u>	 <u>\$ 21,466,501</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-11	\$ 10,634,000	\$ 12,048,484
Pension Refunding Bonds	C-11	3,930,000	4,500,000
Green Acres Loans Payable	C-12	773,794	840,938
Encumbrances Payable	C-9	1,033,279	1,426,110
Due to Grant Fund	C-15	13,591	
Improvement Authorizations			
Funded	C-10	1,421,665	1,871,284
Unfunded	C-10	939,036	29,436
Capital Improvement Fund (Deficit)	C-8	21,499	(4,751)
Reserve for Curb and Sidewalk Improvements	C-13	5,000	5,000
Reserve for Payment of Debt Service	C-14	99,788	
Reserve for Grants and Loans Receivable	C-4	<u>750,000</u>	<u>750,000</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 19,621,652</u>	 <u>\$ 21,466,501</u>

There were Bonds and Notes Authorized But Not Issued on June 30, 2013 and 2012 of \$2,510,258 and \$1,109,008, respectively, (See Exhibit C-16).

CITY OF PASSAIC
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Fund Balance, Beginning of Year	C		\$ 83,303
Decreased by:			
Appropriated as SFY 2012 Current Fund Revenue	C-1	-	83,303
Fund Balance, End of Year	C	<u>\$ -</u>	<u>\$ -</u>

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SEWER UTILITY FUND
AS OF JUNE 30, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
OPERATING FUND			
Cash	D-5	\$ 241,342	\$ 168,757
Due from PVWC	D-9	35,807	37,373
Due from Sewer Utility Capital Fund	D-15	79,619	20,824
		<u>356,768</u>	<u>226,954</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-7	1,098,359	938,841
Other Accounts Receivable	D-8	297,675	297,472
		<u>1,396,034</u>	<u>1,236,313</u>
Total Operating Fund		<u>1,752,802</u>	<u>1,463,267</u>
CAPITAL FUND			
Cash	D-5,D-6	96,805	18,814
Fixed Capital	D-10	5,209,460	5,209,460
Fixed Capital Authorized and Uncompleted	D-11	715,214	315,214
Total Capital Fund		<u>6,021,479</u>	<u>5,543,488</u>
		<u>\$ 7,774,281</u>	<u>\$ 7,006,755</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-4,D-22	\$ 39,941	\$ 8
Encumbrances Payable	D-17	7,500	65,950
Accrued Interest on Bonds	D-21	16,018	24,277
Due to Current Fund	D-12	40,465	83,875
Due to Other Trust Fund	D-13	200,000	-
		<u>303,924</u>	<u>174,110</u>
Reserve for Receivables	D	1,396,034	1,236,313
Fund Balance	D-1	52,844	52,844
Total Operating Fund		<u>1,752,802</u>	<u>1,463,267</u>
CAPITAL FUND			
Serial Bonds	D-23	1,170,000	1,554,516
Encumbrances Payable	D-24	23,288	
Due to Current Fund	D-18	450,000	100,000
Due to Sewer Utility Operating Fund	D-15	79,619	20,824
Improvement Authorizations			
Funded	D-16	35,006	35,006
Unfunded	D-16	198,090	172,182
Reserve for Amortization	D-19	3,995,460	3,610,944
Reserve for Deferred Amortization	D-20	69,006	49,006
Fund Balance	D-2	1,010	1,010
Total Capital Fund		<u>6,021,479</u>	<u>5,543,488</u>
		<u>\$ 7,774,281</u>	<u>\$ 7,006,755</u>

There were Bonds and Notes Authorized But Not Issued on June 30, 2013 and 2012 of \$690,208 and \$310,208 , respectively, (See Exhibit D-25).

CITY OF PASSAIC
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE
REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
REVENUES AND OTHER INCOME REALIZED			
Sewer Rents	D-3	\$ 5,273,819	\$ 5,557,405
Other Credits to Income:			
Cancelled Accounts Payable	D-1	<u> -</u>	<u> 21,610</u>
Total Income		<u>5,273,819</u>	<u>5,579,015</u>
EXPENDITURES			
Operating	D-4	4,843,765	5,001,619
Capital Improvements	D-4	20,000	
Debt Service	D-4	423,819	423,618
Deferred Charges	D-4	<u> -</u>	<u> 217,364</u>
Total Expenditures		<u>5,287,584</u>	<u>5,642,601</u>
Deficit in Revenue		(13,765)	(63,586)
Adjustments to Income before Fund Balance:			
Realized from Current Fund Budget for Anticipated Deficit	D-3	<u> 13,765</u>	<u> 63,586</u>
Statutory Excess in Fund Balance		-	-
Fund Balance, Beginning of Year,	D	<u> 52,844</u>	<u> 52,844</u>
Fund Balance, End of Year,	D	<u>\$ 52,844</u>	<u>\$ 52,844</u>

CITY OF PASSAIC
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
SEWER UTILITY CAPITAL FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Fund Balance, Beginning of Year	D	\$ 1,010	\$ 15,010
Decreased by:			
Appropriated to Finance Improvement Authorizations	D-2	<u>-</u>	<u>14,000</u>
Fund Balance, End of Year	D	<u>\$ 1,010</u>	<u>\$ 1,010</u>

CITY OF PASSAIC
STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Sewer Rents and Charges	D-7,D-8	\$ 5,200,000	\$ 5,273,819	\$ 73,819
Deficit - Current Fund Budget	D-1,D-12	<u>395,843</u>	<u>13,765</u>	<u>(382,078)</u>
	D-4	<u>\$ 5,595,843</u>	<u>\$ 5,287,584</u>	<u>\$ (308,259)</u>

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATING					
Other Expenses	\$ 143,490	\$ 143,490	\$ 57,740	\$ 39,941	\$ 45,809
Sewer Treatment Expenses	4,500,000	4,500,000	4,245,809		254,191
Sewer Maintenance Fee - Contractual	<u>500,275</u>	<u>500,275</u>	<u>500,275</u>	-	-
Total Operating	<u>5,143,765</u>	<u>5,143,765</u>	<u>4,803,824</u>	<u>39,941</u>	<u>300,000</u>
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	-	-
Total Capital Improvement Fund	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	-	-
DEBT SERVICE					
Payment of Bond Principal	384,516	384,516	384,516		
Interest on Bonds	<u>47,562</u>	<u>47,562</u>	<u>39,303</u>	-	8,259
Total Debt Service	<u>432,078</u>	<u>432,078</u>	<u>423,819</u>	-	8,259
	<u>\$ 5,595,843</u>	<u>\$ 5,595,843</u>	<u>\$ 5,247,643</u>	<u>\$ 39,941</u>	<u>\$ 308,259</u>
	<u>Reference</u>	D-3	D-4	D-1	D,D-1
Disbursed		D-5		\$ 4,748,762	
Accrued Interest on Bonds		D-21		39,303	
Encumbrances Payable		D-17		7,500	
Due to Sewer Utility Capital Fund		D-15		20,000	
Due to Current Fund		D-12		<u>432,078</u>	
				<u>\$ 5,247,643</u>	

CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF JUNE 30, 2013 AND 2012
(UNAUDITED)

	<u>2013</u>	<u>2012</u>
ASSETS		
Fixed Assets	<u>\$ 91,441,474</u>	<u>\$ 91,441,474</u>
LIABILITIES		
Investments in General Fixed Assets	<u>\$ 91,441,474</u>	<u>\$ 91,441,474</u>

NOTES TO FINANCIAL STATEMENTS

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Regulatory Basis of Accounting

The financial statements of the City of Passaic have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the City accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

B. Reporting Entity

The City of Passaic (the "City") was incorporated in 1917 and operates under an elected Mayor/Council form of government. The City's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the City do not include the Passaic Public Library, Passaic Redevelopment Agency, Passaic Enterprise Zone Development Corporation and Passaic Parking Authority, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The City uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain City functions or activities. The City also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The City has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the City as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Animal Control Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the City as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the City as collateral.

Community Development Block Grant Fund - This fund is used to account for grant proceeds, program income and related expenditures for Block Grant Program entitlements.

Home Investment Program Fund - This fund is used to account for grant proceeds, program income and related expenditures for the Home Investment Partnership Act Program.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

Sewer Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the City's sanitary sewerage system and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the sewer utility is accounted for in the capital section of the fund.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the City, other than those accounted for in the sewer utility fund. The City's infrastructure is not reported in the account group.

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The City of Passaic follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Property Tax Revenues – Real property taxes are assessed locally, based upon an assessment at true value. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed semi-annually in June of the preceding fiscal year and October of the current fiscal year for that fiscal year's levy. Taxes are payable in four quarterly installments on August 1, November 1, February 1, and May 1. The amount due for the August 1 and November 1 installments are determined based upon the estimated taxes levied for municipal purposes in the current municipal fiscal year, less the amount charged as the February 1 and May 1 installments for municipal purposes of the previous fiscal year; plus the full tax levied for the current tax year (calendar year) for county and school taxes, less the amount charged as the February 1 and May 1 installments for county and school purposes of the previous fiscal year. The amounts due for the February 1 and May 1 installments are determined as the full tax levied for municipal purposes for the current fiscal year, less the amounts charged for municipal purposes as the August 1 and November 1 installments of the current fiscal year, plus one half of the total tax levied for county and school purposes in the preceding tax year (calendar year). If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on August 15, November 15, February 15, and May 15 to the County by the City. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on October first in the fiscal year following the fiscal year levy when the same became in arrears, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a standard tax sale. The City also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the City. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the City's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Utility Rents - Utility charges are levied monthly or quarterly based upon a flat service charge and if applicable, an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the City's sewer utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant and Similar Award Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the City's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the City and approved by the State Division of Local Government Services as per N.J.S.A. 40A:4 et seq.

The City is not required to adopt budgets for the following funds:

Trust Funds

General Capital Fund

Sewer Utility Capital Fund

The governing body is required to introduce and approve the annual budget no later than August 10, of the fiscal year. The budget is required to be adopted no later than September 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2013 and 2012 the City Council increased the original budget by \$3,553,284 and \$8,133,114, respectively. The increases were funded by additional aid allotted to the City during 2013 and 2012, and emergency appropriations in 2013 for the preparation of a tax map and maintenance of parks and in 2012 for terminal leave pay and telephone expenses. In addition, the governing body approved several budget transfers during 2013 and 2012.

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Expenditures – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at June 30, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at June 30, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

Encumbrances - Contractual orders outstanding at June 30, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

Appropriation Reserves – Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. GAAP requires that all investments be reported at fair value.

Incurred But Not Reported (IBNR) Reserves and Claims Payable - The City has not created a reserve for any potential unreported self-insurance losses which have taken place but in which the City has not received notices or report of losses (i.e. IBNR). Additionally, the City has not recorded a liability for those claims filed, but which have not been paid (i.e. claims payable). GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining potential claims are recorded as a long-term obligation in the government-wide financial statements.

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

General Fixed Assets - The City of Passaic has not developed a fixed assets accounting and reporting system in accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets. Fixed assets are defined by the City as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and sewerage and drainage systems are not capitalized.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

Accounting for utility fund "fixed capital" remains unchanged under NJAC 5:30-5.6.

Property and equipment purchased by the sewer utility fund is recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

Use of Estimates - The preparation of financial statements requires management of the City to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain reclassifications have been made to the June 30, 2012 balances to conform to the June 30, 2013 presentation.

**CITY OF PASSAIC
 NOTES TO FINANCIAL STATEMENTS
 FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

D. Financial Statements – Regulatory Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The City presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

NOTE 2 DEPOSITS AND INVESTMENTS

The City considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

Deposits

The City's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The City is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2013 and 2012, the book value of the City's deposits were \$19,253,645 and \$16,428,199 and bank and brokerage firm balances of the City's deposits amounted to \$19,950,132 and \$17,883,671, respectively. The City's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2013</u>	<u>2012</u>
Insured	\$ 19,950,132	\$ 17,883,671

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2013 and 2012, none of the City’s bank balances were exposed to custodial credit risk.

Investments

The City is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the City or bonds or other obligations of the school districts which are a part of the City or school districts located within the City, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

As of June 30, 2013 and 2012 the City had no outstanding investments.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting. Interest earned in the Utility Capital Fund is assigned to the Utility Operating Fund in accordance with the regulatory basis of accounting.

NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE

Receivables at June 30, 2013 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2013</u>			
Property Taxes	\$ 158,824		\$ 158,824
Tax Title Liens	270,124		270,124
Utility Rents and Fees	-	\$ 1,396,034	1,396,034
	<u>\$ 428,948</u>	<u>\$ 1,396,034</u>	<u>\$ 1,824,982</u>

In 2013, the City collected \$109,382 and \$938,841 from delinquent taxes and utility rents, which represented 42% and 76% of the delinquent tax and sewer charges receivable at June 30, 2012.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE

Receivables at June 30, 2013 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2012</u>			
Property Taxes	\$ 59,302		\$ 59,302
Tax Title Liens	199,773		199,773
Utility Rents and Fees	-	\$ 1,236,313	1,236,313
	<u>\$ 259,075</u>	<u>\$ 1,236,313</u>	<u>\$ 1,495,388</u>

In 2012, the City collected \$294,256 and \$894,982 from delinquent taxes and utility rents, which represented 100% and 100% of the delinquent tax and sewer charges receivable at June 30, 2011.

NOTE 4 MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both general capital and utility capital fund projects. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the City are general obligation bonds, backed by the full faith and credit of the City. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The City's debt is summarized as follows:

	<u>2013</u>	<u>2012</u>
Issued		
General		
Bonds, Notes and Loans	\$ 15,337,794	\$ 17,389,422
Sewer Utility		
Bonds and Notes	<u>1,170,000</u>	<u>1,554,516</u>
	16,507,794	18,943,938
Less Funds Temporarily Held to Pay Bonds and Notes	<u>(99,788)</u>	<u>-</u>
Net Debt Issued	16,408,006	18,943,938
Authorized But Not Issued		
General		
Bonds and Notes	2,510,258	1,109,008
Sewer Utility		
Bonds and Notes	<u>690,208</u>	<u>310,208</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 19,608,472</u>	<u>\$ 20,363,154</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 4 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the City's Annual Debt Statement and indicates a statutory net debt of .42% and .41% at June 30, 2013 and 2012, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2013</u>			
General Debt	\$ 17,848,052	\$ 4,029,787	\$ 13,818,265
Parking Authority Debt	2,200,000	2,200,000	
Utility Debt	1,860,208	1,860,208	
School Debt - Type II	<u>437,766</u>	<u>437,766</u>	<u>-</u>
Total	<u>\$ 22,346,026</u>	<u>\$ 8,527,761</u>	<u>\$ 13,818,265</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2012</u>			
General Debt	\$ 18,498,430	\$ 4,500,000	\$ 13,998,430
Parking Authority Debt	2,460,000	2,460,000	
Utility Debt	1,864,724	1,530,208	334,516
School Debt - Type II	<u>866,757</u>	<u>866,757</u>	<u>-</u>
Total	<u>\$ 23,689,911</u>	<u>\$ 9,356,965</u>	<u>\$ 14,332,946</u>

Statutory Borrowing Power

The City's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2013</u>	<u>2012</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 116,141,607	\$ 122,422,833
Net Debt	<u>13,818,265</u>	<u>14,332,946</u>
Remaining Borrowing Power	<u>\$ 102,323,342</u>	<u>\$ 108,089,887</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt

The City's long-term debt consisted of the following at December 31:

General Obligation Bonds

The City levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at June 30 are as follows:

	<u>2013</u>	<u>2012</u>
\$6,369,326, 1998 General Obligation Bonds, due in annual installments of \$559,600 to \$584,484 through July 15, 2012, interest at 4.80% to 4.85%		\$ 584,484
\$7,800,000, 2003 Early Retirement Incentive Pension Refunding Bonds due in annual installments of \$605,000 to \$1,135,000 through February 1, 2017, interest at 5.00% to 5.35%		4,500,000
\$6,215,000, 2005 General Obligation Bonds, due in annual installments of \$700,000 to \$890,000 through May 1, 2017, interest at 3.80% to 4.00%		4,215,000
\$7,249,000, 2010 General Obligation Bonds, due in annual installments of \$250,000 to \$700,000 through August 1, 2026, interest at 3.00% to 4.00%	\$ 7,249,000	7,249,000
\$3,930,000, 2013 Early Retirement Pension Refunding Bonds due in annual installments of \$870,000 to \$1,115,000 through February 1, 2017, interest at 1.430% to 2.146%	3,930,000	
\$3,385,000, 2013 General Obligation Refunding Bonds, due in annual installments of \$835,000 to \$855,000 through May 1, 2017, interest at 3.00% to 4.00%	<u>3,385,000</u>	<u>-</u>
	<u>\$ 14,564,000</u>	<u>\$ 16,548,484</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt (Continued)

General Intergovernmental Loans Payable

The City has entered into a loan agreement with the Economic Development Authority (“EDA”) for the financing relating to the removal of underground storage tanks and loan agreements with the State of New Jersey Green Acres Program for improvements to Dundee Island field rehabilitation, Third Ward Park improvements, Hughes Lake improvements and Pulaski Park renovations. The City levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at June 30 are as follows:

	<u>2013</u>	<u>2012</u>
\$200,000, 2006 Loans, due in semi-annual installments of \$4,706 to \$6,157 through March, 2026, interest at 2%	\$ 141,748	\$ 151,208
\$500,000, 2008 Loans, due in semi-annual installments of \$17,221 to \$21,013 through July, 2022, interest at 2%	365,584	400,197
\$100,000, 2008 Loans, due in semi-annual installments of \$2,307 to \$3,078 through June, 2027, interest at 2%	75,604	80,240
\$250,000, 2009 Loans, due in semi-annual installments of \$8,697 to \$10,506 through April, 2022, interest at 2%	174,008	191,488
\$21,000, 2009 Loans, due in semi-annual installments of \$466 to \$646 through June, 2028, interest at 2%	16,850	17,805
	<u>\$ 773,794</u>	<u>\$ 840,938</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt (Continued)

Sewer Utility Bonds

The City pledges revenue from operations to pay debt service on sewer utility bonds issued. The sewer utility bonds outstanding at June 30 are as follows:

Sewer Utility

	<u>2013</u>	<u>2012</u>
\$3,664,674, 1998 General Obligation Bonds, due in annual installments of \$334,516 through July, 2012, interest at 4.85%		\$ 334,516
\$1,266,000, 2010 Sewer Bonds, due in annual installments of \$50,000 to \$90,000 through August 1, 2025, interest at 3.00% to 3.75%	\$ 1,170,000	1,220,000
	<u>\$ 1,170,000</u>	<u>\$ 1,554,516</u>

The City's principal and interest for long-term debt issued and outstanding as of June 30, 2013 is as follows:

Fiscal Year	General						Total
	Bonds		Loans		Sewer Utility		
	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 1,725,000	\$ 420,505	\$ 68,494	\$ 14,135	\$ 90,000	\$ 37,351	\$ 2,355,485
2015	2,070,000	396,100	69,870	13,760	90,000	34,650	2,674,380
2016	2,155,000	346,672	71,278	12,356	90,000	31,951	2,707,257
2017	2,215,000	285,513	72,707	10,922	90,000	29,138	2,703,280
2018	250,000	219,460	74,170	9,459	90,000	26,213	669,302
2019-2023	3,375,000	799,392	351,263	24,435	450,000	86,735	5,086,825
2024-2028	<u>2,774,000</u>	<u>212,047</u>	<u>66,012</u>	<u>2,698</u>	<u>270,000</u>	<u>14,737</u>	<u>3,339,494</u>
	<u>\$ 14,564,000</u>	<u>\$ 2,679,689</u>	<u>\$ 773,794</u>	<u>\$ 87,765</u>	<u>\$ 1,170,000</u>	<u>\$ 260,775</u>	<u>\$ 19,536,023</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The City's long-term capital debt activity for the years ended June 30, 2013 and 2012 were as follows:

	Balance, June 30, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2013</u>	Due Within <u>One year</u>
<u>2013</u>					
General Capital					
Serial Bonds	\$ 12,048,484	\$ 3,385,000	\$ 4,799,484	\$ 10,634,000	\$ 855,000
Pension Refunding Bonds	4,500,000	3,930,000	4,500,000	3,930,000	870,000
Green Acres Loan Payable	<u>840,938</u>	<u>-</u>	<u>67,144</u>	<u>773,794</u>	<u>68,494</u>
General Capital Fund					
Long Term Liabilities	<u>\$ 17,389,422</u>	<u>7,315,000</u>	<u>\$ 9,366,628</u>	<u>\$ 15,337,794</u>	<u>\$ 1,793,494</u>
Sewer Capital					
Serial Bonds	<u>\$ 1,554,516</u>	<u>-</u>	<u>\$ 384,516</u>	<u>\$ 1,170,000</u>	<u>\$ 90,000</u>
Sewer Capital Fund					
Long Term Liabilities	<u>\$ 1,554,516</u>	<u>\$ -</u>	<u>\$ 384,516</u>	<u>\$ 1,170,000</u>	<u>\$ 90,000</u>
	Balance, June 30, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2012</u>	Due Within <u>One year</u>
<u>2012</u>					
General Capital					
Serial Bonds	\$ 13,308,164		\$ 1,259,680	\$ 12,048,484	\$ 1,284,484
Pension Refunding Bonds	5,105,000		605,000	4,500,000	695,000
Green Acres Loan Payable	<u>906,760</u>	<u>-</u>	<u>65,822</u>	<u>840,938</u>	<u>67,144</u>
General Capital Fund					
Long Term Liabilities	<u>\$ 19,319,924</u>	<u>-</u>	<u>\$ 1,930,502</u>	<u>\$ 17,389,422</u>	<u>\$ 2,046,628</u>
Sewer Capital					
Serial Bonds	<u>\$ 1,920,836</u>	<u>-</u>	<u>\$ 366,320</u>	<u>\$ 1,554,516</u>	<u>\$ 384,516</u>
Sewer Capital Fund					
Long Term Liabilities	<u>\$ 1,920,836</u>	<u>\$ -</u>	<u>\$ 366,320</u>	<u>\$ 1,554,516</u>	<u>\$ 384,516</u>

**CITY OF PASSAIC
 NOTES TO FINANCIAL STATEMENTS
 FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt

Special Emergency Notes

Following the adoption of an ordinance or resolution for special emergency appropriations, the City may borrow money and issue special emergency notes which may be renewed from time to time, but at least 1/5 of all such notes and the renewal thereof, shall mature and be paid in each year so that all notes have been paid by the end of the fifth year following the date of the special emergency resolution.

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, June 30, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2013</u>
<u>2013</u>						
<u>Current Fund</u>						
Sick/Vacation - Terminal Pay	0.80%	4/4/2014	\$ <u>1,980,000</u>	\$ <u>1,560,000</u>	\$ <u>1,980,000</u>	\$ <u>1,560,000</u>
			Balance, June 30, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2012</u>
<u>2012</u>						
<u>Current Fund</u>						
Sick/Vacation - Terminal Pay	0.69%	4/23/2013	\$ <u>600,000</u>	\$ <u>1,980,000</u>	\$ <u>600,000</u>	\$ <u>1,980,000</u>

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of the general fixed assets account group for the years ended June 30, 2013 and 2012.

	Balance, June 30, <u>2012</u> (Unaudited)	Balance, June 30, <u>2013</u> (Unaudited)
Fixed Assets	\$ <u>91,441,474</u>	\$ <u>91,441,474</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 5 FIXED ASSETS (Continued)

Sewer Utility Fund Fixed Assets

The following is a summary of changes in the utility fund fixed assets for the years ended June 30, 2013 and 2012.

Sewer Utility Fund

	Balance June 30, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, <u>2013</u>
<u>2013</u>				
Fixed Capital				
System and System Improvements	\$ 4,899,460			\$ 4,899,460
Vehicles and Equipment	<u>310,000</u>	<u>-</u>	<u>-</u>	<u>310,000</u>
	<u>\$ 5,209,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,209,460</u>
	Balance June 30, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, <u>2012</u>
<u>2012</u>				
Fixed Capital				
System and System Improvements	\$ 4,899,460			\$ 4,899,460
Vehicles and Equipment	<u>310,000</u>	<u>-</u>	<u>-</u>	<u>310,000</u>
	<u>\$ 5,209,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,209,460</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 6 DUE TO/FROM OTHER FUNDS

As of June 30, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund				
Regular	\$ 577,258	\$ 90,729	\$ 183,875	\$ 306,567
Grant	94,488		315,571	
Trust Funds				
Animal Control		6,896		
Other Trust	209,832		236,567	
Community Development			1,723	
Home Investment Program		79,897		247,294
General Capital Fund		13,591		
Sewer Utility Fund				
Operating	79,619	240,465	20,824	83,875
Capital	-	529,619	-	120,824
Total	<u>\$ 961,197</u>	<u>\$ 961,197</u>	<u>\$ 758,560</u>	<u>\$ 758,560</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or appropriations raised in operating fund budgets which are due to another fund.

The City expects all interfund balances to be liquidated within one year.

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Operating Fund are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of June 30 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at June 30, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 7 FUND BALANCES APPROPRIATED (Continued)

	Fund Balance June 30, <u>2013</u>	Utilized in Subsequent Year's Budget	Fund Balance June 30, <u>2012</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 2,065,102	\$ 1,330,000	\$ 2,416,923	\$ 1,330,000
Non-Cash Surplus	<u>756,151</u>	<u>-</u>	<u>90,765</u>	<u>-</u>
	<u>\$ 2,821,253</u>	<u>\$ 1,330,000</u>	<u>\$ 2,507,688</u>	<u>\$ 1,330,000</u>
Sewer Utility Operating Fund				
Cash Surplus	\$ 52,844		\$ 52,844	
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 52,844</u>	<u>\$ -</u>	<u>\$ 52,844</u>	<u>\$ -</u>

NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At June 30, the following deferred charges are reported on the balance sheets of the following funds:

	Balance <u>June 30,</u>	Subsequent Year Budget <u>Appropriation</u>	Balance to Succeeding <u>Budgets</u>
<u>2013</u>			
Current Fund			
Emergency Authorizations	\$ 113,655	\$ 113,655	
Special Emergency Authorizations	2,160,000	540,000	\$ 1,620,000
<u>2012</u>			
Current Fund			
Emergency Authorizations	40,000	40,000	
Special Emergency Authorizations	1,980,000	420,000	1,560,000

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 9 COMPENSATED ABSENCES

Under the existing policies and labor agreements of the City, employees are allowed to accumulate (with certain restrictions) unused vacation benefits, personal, sick leave and compensation time in lieu of overtime over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$4,948,927 and \$4,968,693 at June 30, 2013 and 2012, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of June 30, 2013 and 2012, the City has reserved in the Other Trust Fund \$372,150 and \$282,490, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those City employees who are eligible for pension coverage.

Consolidated Police and Firemen's Pension fund (CPFPPF) – established in January 1952, under the provisions of N.J.S.A. 43:16 to provide coverage to municipal police and firemen who were appointed prior to July 1, 1944. The fund is a closed system with no active members.

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those City employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The State also administers the Pensions Adjustment Fund (PAF). Prior to the adoption of pension reform legislation, P.L. 2011, C.78, it provided cost of living increases equal to 60 percent of the change in the average consumer price index, to eligible retirees in some State-sponsored pension systems which includes the CPFPPF. Cost-of-living increases provided under the State's pension adjustment program are currently suspended as a result of the reform legislation. This benefit is funded by the State as benefit allowances become payable.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation (Continued)

- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2012, the member contribution rates increase in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including CPFPPF, PERS and PFRS is 67.5 percent with an unfunded actuarial accrued liability of \$41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.5 percent and \$11.6 billion, respectively.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress (Continued)

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2011 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included: (a) a revised investment rate of return for all the retirement systems from 8.25 percent to 7.95 percent except for CPFPPF (2 percent) and (b) revised projected salary increases which vary by fund (6.32% for PFRS and 4.52% for PERS).

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% for PERS, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 for CPFPPF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2012, 2011 and 2010, the City, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>CPFPPF</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2013	\$ 71,882	\$ 7,334,956	\$ 1,648,690	\$ 8,051
2012	25,263	7,339,135	1,659,283	3,800
2011	76,519	7,679,398	1,549,187	3,673

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC) (Continued)

During the year ended December 31, 2009 the City elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$3,644,176 and will be paid back with interest over 15 years beginning in the 2012 fiscal year. The City is permitted to pay off the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (at 8.25%) at June 30, 2013 and 2012 is \$4,259,632 and \$4,125,478, respectively.

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating municipalities including the City.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and the Teacher's Pension and Annuity (TPAF) are combined and reported as Pension and Other Employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost sharing multiple-employer plan. The post-retirement benefit programs had a total of 566 state and local participating employers and contributing entities for Fiscal Year 2012.

The State of New Jersey sponsors and administers the following health benefit program covering substantially all local government employees from local participating employers.

Health Benefits Program Fund (HBPF) – Local Government (including Prescription Drug Program Fund) – Certain local employers who participate in the State Health Benefits Program provide health insurance coverage to their employees at retirement. Under provisions of P.L. 1997, c.330, the State of New Jersey provides partially funded benefits to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Also, local employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Significant Legislation

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the State had a \$48.9 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$18.0 billion for state active and retired members and \$30.9 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2011 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits Contribution

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2012, there were 97,661 retirees receiving post-retirement medical benefits, and the State contributed \$958.9 million on their behalf. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

P.L. 1977, c. 136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$112.6 million for 8,810 eligible retired members for Fiscal Year 2012. This benefit covers the Police and Firemen's Retirement System.

P.L. 1997, c. 330 provides paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State and participating local governments are responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State and participating local governments contributed \$36.6 million in Fiscal Year 2012 to provide benefits under Chapter 330 to qualified retirees.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended June 30, 2013, 2012 and 2011 were 5,536,355, 5,208,534 and 5,028,689, respectively, which equaled the required contributions for each year (or were not available).

NOTE 12 RISK MANAGEMENT

The City is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The City has obtained commercial insurance coverage to guard against these events to minimize the exposure to the City should they occur.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 12 RISK MANAGEMENT (Continued)

The City has established a workmen's compensation plan for its employees and a general liability plan for the City. Transactions related to the plans are accounted for in the Other Trust Fund. The City contributes to fund the entire cost of the plan. Claims are paid directly by the plan with any excess benefit being reimbursed through a Re-Insurance Agreements with Specialty Claims Management, LLC and D&H Alternative Risk Solutions. The City has not created a liability for loss reserves for claims incurred which were unpaid at June 30, 2013 and 2012. In addition, the City has not created a liability for reserves for any potential unreported losses which have taken place but in which the City has not received notices or report of losses. The effect on the financial statements from these omissions could not be determined, but is probably material. A contingent liability exists with respect to reinsurance, which would become an actual liability in the event the reinsuring company might be unable to meet their obligations to the City under existing reinsurance agreements. As of June 30, 2013 and 2012 the City has available in the Other Trust Fund \$503,208 and \$428,649, respectively for the payment of self-insurance claims.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

NOTE 13 CONTINGENT LIABILITIES

The City is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the City's Attorney, the potential claims against the City not covered by insurance policies would not materially affect the financial condition of the City.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at June 30, 2013 and 2012. Amounts claimed have not yet been determined. The City is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the City does not recognize a liability, if any, until these cases have been adjudicated. The City expects such amounts, if any, could be material. As of June 30, 2013 and 2012, the City reserved \$1,583,895 and \$1,304,289, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of June 30, 2013 and 2012, significant amounts of grant expenditure have not been audited by the various grantor agencies but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the City.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 13 CONTINGENT LIABILITIES (Continued)

Overlapping Debt

1. City is a contracting municipality with the North Jersey District Water Supply Commission (NJDWSC). As such, it is entitled to 11% of the water supplied by the Commission, and is liable for 11% of the annual operating charges, including debt service, of the Commission. The total debt of NJDWSC as of June 30, 2013 and 2012 was \$55,449,180 and \$65,217,839, respectively, of which the City the Passaic's share was \$2,888,266 and \$3,329,176, respectively. The operating charges from NJDWSC are defrayed by water rates established by the Passaic Valley Water Commission.
2. The City owns a portion of the Passaic Valley Water Commission (PVWC). The bonds of the PVWC are secured by water revenues derived from water rate charges by the PVWC. In the event the PVWC funds are inadequate to make principal and interest payments on the bonds, the PVWC is required to adjust its rates to produce amounts sufficient to cover debt service. PVWC had \$138,420,122 and \$161,175,438 of debt outstanding as of June 30, 2013 and 2012, respectively, of which the City of Passaic's share was \$39,546,629 and \$46,047,823, respectively.
3. The City's obligations with respect to debt issued for facilities of PVWC and NJDWSC are not joint and are several with the contracting municipalities. Therefore, the City's contingent liability cannot increase as a result of nonpayment o\by any other contracting party.
4. The City may also be responsible for its share of County debt, Passaic County Utilities Authority debt and the PVSC debt. The County is repaid through taxes and the PVSC debt is repaid through sewer service charges.

NOTE 14 FEDERAL ARBITRAGE REGULATIONS

The City is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2013 and 2012, the City has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 15 DEFEASANCE OF DEBT

On May 2, 2013, the City issued \$3,930,000 in Pension Refunding Bonds, Taxable Series 2013 having interest rates of 1.430% to 2.146%. These Bonds were issued in order to currently refund certain principal maturities of the City's General Obligation Refunding Bonds, Series 2003 (Federally Taxable Pension Refunding Bonds). The total principal currently refunded was \$3,805,000. This current refunding resulted in the issuance of an additional \$125,000 in bonds and resulted in an increase of cash flows over the life of these bonds issues in the amount \$230,420; however, the economic gain (difference between the present value of the old and new debt service payments) was \$221,416. The current refunding was undertaken to reduce total debt service payments over the next four years by \$230,420.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 15 DEFEASANCE OF DEBT (Continued)

On May 2, 2013, the City issued \$3,385,000 in General Improvement Refunding Bonds, Series 2013 having interest rates of 3.00% to 4.00%. These Bonds were issued in order to currently refund certain principal maturities of the City's General Improvement Bonds, Series 2005. The total principal currently refunded was \$3,515,000. This current refunding resulted in the issuance of \$130,000 less in bonds and resulted in an increase of cash flows over the life of these bonds issues in the amount \$161,648; however, the economic gain (difference between the present value of the old and new debt service payment) was \$156,270. The current refunding was undertaken to reduce total debt service payment over the next four years by \$161,648.

NOTE 16 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of June 30, the City had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Construction / Other Commitment</u>	<u>Estimated Date of Acquisition/ Completion</u>
<u>2013</u>		
Improvements to Pulaski Park	\$ 110,020	2014
Acquisition of Triple Combination Fire Pumper	308,878	2014
Reconstruction of St Francis Way	285,618	2014
Reconstruction of Police Parking Lot at Washington Place and State Street	88,265	2014
Reconstruction of Basketball Court and Handball Court at Third Ward Park	93,281	2014
Improvements to Columbus Park	2,563,455	2014
Installation of New HVAC System at Boys/Girls Club	118,000	2014
Skate Park Elements	92,485	2014
Acquisition of Two New Broom Street Sweepers	375,995	2014
<u>2012</u>		
Improvements to Pulaski Park	\$ 1,890,582	2014
Resurfacing of Passaic Ave and Reconstruction of Curbing and Sidewalks on Park Ave & Spring St	330,480	2013
Ceiling Replacement at Julius Forstmann Library	86,000	2013

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 17 HURRICANE SANDY

On October 29, 2012 Hurricane Sandy, the largest Atlantic hurricane on record made landfall in New Jersey and resulted in severe damage in numerous communities and a federal disaster was declared throughout the State. The City has incurred significant costs in the cleanup and recovery from this federal disaster. The Federal Emergency Management Agency ("FEMA") provides emergency grant assistance (voluntary nonexchange transaction) to help government's cope with losses. Although the City has applied for reimbursement from FEMA, the total amount to be received in conjunction with this event is not considered to be measurable with sufficient reliability and therefore has not been recognized in the financial statements as of June 30, 2013. As of June 30, 2013, the City has received \$357,931 in FEMA reimbursements relating to Hurricane Sandy which have been reflected in the financial statements. .

CURRENT FUND

**CITY OF PASSAIC
STATEMENT OF CASH AND INVESTMENTS - CURRENT FUND**

Balance, June 30, 2012		\$ 7,434,230
Increased by Receipts:		
Tax Collector	\$ 97,234,946	
Revenue Accounts Receivable	19,051,279	
Nonbudget Revenue	1,199,174	
Petty Cash Fund	1,050	
Due from State of New Jersey - Senior Citizen/Veterans Deductions	130,324	
Special Emergency Note	1,560,000	
Miscellaneous Reserves	130,820	
Receipts from the Parking Authority	716,104	
Receipts from Grant Fund	2,000,000	
Receipts for Grant Fund	1,277,745	
Receipts for Other Trust Fund	96,105	
Receipts from Community Development Block Grant Fund	532,277	
Receipts from Home Investment Program Trust Fund	110,000	
Receipts from General Capital Fund	100,069	
Receipts from Sewer Utility Operating Fund	515,952	
Fees Payable	<u>1,048,707</u>	
		<u>125,704,552</u>
		133,138,782
Decreased by Disbursements:		
2013 Budget Appropriations	71,456,789	
2012 Appropriation Reserves	571,110	
Petty Cash Fund	1,050	
Encumbrances Payable	644,409	
County Taxes	21,529,379	
Local School Taxes	16,998,497	
Tax Overpayments	16,037	
Special Emergency Note	1,980,000	
Payments made for Parking Authority	29,995	
Payments for Grant Fund	2,040,424	
Payment to Grant Fund	1,324,074	
Payment for Other Trust Fund	2,718,461	
Payment to Other Trust Fund	1,207,317	
Payments to Community Development Block Grant Fund	534,000	
Payments for Home Investment Program Fund	189,897	
Payments to General Capital Fund	100,000	
Payments for Sewer Utility Operating Fund	432,078	
Payments to Sewer Utility Capital Fund	350,000	
Fees Payable	1,042,949	
Reserve for Tax Appeals	<u>220,394</u>	
		<u>123,386,860</u>
Balance, June 30, 2013		<u>\$ 9,751,922</u>

**CITY OF PASSAIC
STATEMENT OF CASH AND INVESTMENTS - GRANT FUND**

Balance, June 30, 2012		\$ 2,691,447
Increased by:		
Grants Receivable	\$ 2,446,677	
Receipts from Current Fund	1,324,074	
Receipts from Other Trust Fund	164,000	
Receipts from Home Investment Program Fund	247,294	
Reserve for Program Income	68,969	
Unappropriated Grant Reserves	<u>15,021</u>	
		<u>4,266,035</u>
		6,957,482
Decreased by:		
Payments to Current Fund	2,000,000	
Payments to Other Trust Fund	164,000	
Payments made for General Capital Fund	13,591	
Reserve for Program Income	68,969	
Appropriated Grant Reserves	<u>2,241,939</u>	
		<u>4,488,499</u>
Balance, June 30, 2013		<u>\$ 2,468,983</u>

SCHEDULE OF TAX COLLECTOR'S CASH

Increased by:		
Taxes Receivable	\$ 96,049,567	
Tax Title Liens Receivable	78,310	
Interest and Cost on Taxes	289,181	
Payment in Lieu of Taxes	677,739	
Tax Overpayments	54,484	
Prepaid Taxes	<u>85,665</u>	
		\$ 97,234,946
Decreased by:		
Payment to Treasurer		<u>\$ 97,234,946</u>

**CITY OF PASSAIC
SCHEDULE OF CASH - CHANGE FUND**

Balance, June 30, 2012	\$ <u>2,600</u>
Balance, June 30, 2013	\$ <u>2,600</u>

SCHEDULE OF CASH - PETTY CASH CHANGE FUND

Increased by:	
Treasurer's Disbursements	\$ 1,050
Decreased by:	
Treasurer's Receipts	\$ <u>1,050</u>

**CITY OF PASSAIC
STATEMENT OF DUE FROM CURRENT FUND
GRANT FUND**

Balance, June 30, 2012		\$ 68,277
Increased by:		
2013 Budget Appropriation for Grants	\$ 4,107,079	
Grant Receivables Cancelled to Current Fund Operations	86,937	
Payments to Current Fund	2,000,000	
Grant Fund Receipts Deposited in Current Fund	<u>1,277,745</u>	
		<u>7,471,761</u>
		7,540,038
Decreased By:		
Anticipated as 2013 Budget Revenue		
Grants Receivable Anticipated as 2013 Budget Revenue	3,471,050	
Unappropriated Grants Anticipated as 2013 Budget Revenue	623,593	
Grant Fund Expenditures Paid by Current Fund	2,040,424	
Receipts from Current Fund	<u>1,324,074</u>	
		<u>7,459,141</u>
Balance, June 30, 2013		<u>\$ 80,897</u>

EXHIBIT A-10

**STATEMENT OF DUE FROM STATE OF NEW JERSEY
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, June 30, 2012		\$ 50,765
Increased by:		
Senior Citizens/Veterans Deductions Per Tax Duplicate	\$ 132,500	
Deductions Allowed by Tax Collector - SFY 2013	<u>5,750</u>	
		<u>138,250</u>
		189,015
Decreased by:		
Cash Received from State	130,324	
Deductions Disallowed by Tax Collector	<u>16,195</u>	
		<u>146,519</u>
Balance, June 30, 2013		<u>\$ 42,496</u>

**CITY OF PASSAIC
STATEMENT OF DUE FROM PARKING AUTHORITY**

Increased by:	
Anticipated as Current Fund Revenue-Interlocal Agreement	\$ 737,473
Payments Made for Parking Authority	<u>29,995</u>
	\$ 767,468
Decreased by:	
Cash Receipts	<u>716,104</u>
Balance, June 30, 2013	<u>\$ 51,364</u>

**CITY OF PASSAIC
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Fiscal Year Ended	Balance, June 30, 2011	SFY 2013 Levy	Senior Citizens and Veterans Deductions Disallowed	Collections SFY 2012	Collections SFY 2013	Senior Citizens and Veterans Deductions Allowed	Transferred to Tax Title Liens	Cancelled	Balance, June 30, 2013
June 30, 2009	\$ 12,357							\$ 5,040	\$ 7,317
June 30, 2010	5,441							5,439	2
June 30, 2011	10,854			\$ 10,663					191
June 30, 2012	<u>30,650</u>	-	-	-	20,409	-	-	194	<u>10,047</u>
	59,302	-	-	-	31,072	-	-	10,673	17,557
June 30, 2013	-	<u>\$ 96,822,459</u>	\$ 16,195	\$ 82,653	96,018,495	\$ 138,250	\$ 147,572	310,417	<u>141,267</u>
	<u>\$ 59,302</u>	<u>\$ 96,822,459</u>	<u>\$ 16,195</u>	<u>\$ 82,653</u>	<u>\$ 96,049,567</u>	<u>\$ 138,250</u>	<u>\$ 147,572</u>	<u>\$ 321,090</u>	<u>\$ 158,824</u>
Tax Yield:									
General Purpose Tax			\$ 96,682,941						
Added Taxes			<u>139,518</u>						
				<u>\$ 96,822,459</u>					
Tax Levy:									
Local District School Tax Levy				\$ 16,998,497					
County Taxes:									
County Tax - General			\$ 21,172,687						
County Tax Open Space			326,767						
County Tax - Added/Omitted			<u>30,447</u>						
				21,529,901					
Local Tax for Municipal Purposes									
Minimum Library Tax			57,094,599						
Add Additional Tax Levied			1,095,709						
			<u>103,753</u>						
				<u>58,294,061</u>					
									<u>\$ 96,822,459</u>

**CITY OF PASSAIC
STATEMENT OF TAX TITLE LIEN RECEIVABLE**

Balance, June 30, 2012		\$ 199,773
Increased by:		
Interest and Costs from Tax Sale	\$ 1,089	
Transfers from Taxes Receivable	<u>147,572</u>	
		<u>148,661</u>
		348,434
Decreased by:		
Receipts		<u>78,310</u>
Balance, June 30, 2013		<u>\$ 270,124</u>

**CITY OF PASSAIC
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	<u>Balance,</u> <u>June 30, 2012</u>	<u>Accrued</u>	<u>Collected</u>		<u>Balance,</u> <u>June 30, 2013</u>
			<u>Treasurer</u>	<u>Tax Collector</u>	
Licenses					
Alcoholic Beverages		\$ 93,560	\$ 93,560		
Other		48,166	48,166		
Fees and Permits					
Construction Code Official		693,711	693,711		
Other		61,302	61,302		
Fines and Costs					
Municipal Court	\$ 186,037	1,763,818	1,824,306		\$ 125,549
Interest on Investments and Deposits		12,972	12,972		
Police Record Bureau		16,302	16,302		
Ambulance Billing		864,743	864,743		
Energy Receipts Tax		7,797,574	7,797,574		
Supplemental Energy Receipts Tax		107,457	107,457		
Consolidated Municipal Property Tax Relief Aid		4,640,451	4,640,451		
Interest and Costs on Taxes		289,181		\$ 289,181	
Board of Education - Security Watch		2,268,086	2,268,086		
Interlocal Agreement-Passaic Parking Authority		737,473	737,473		
Cable Franchise Fee		399,235	399,235		
Housing Authority Police Program		303,329	303,329		
Fire Billings		32,125			32,125
Restitution - Jose M Cabre		11,895			11,895
Payment in Lieu of Taxes:					
St. Mary's Reize Corp.		165,016		165,016	
Chestnut Housing Phase I		73,400		73,400	
Jack Parker Associates		296,335		296,335	
YMCA - River Road		30,000		30,000	
Garden Howe		35,388		35,388	
Highview Terrace	-	77,600	-	77,600	-
	<u>\$ 186,037</u>	<u>\$ 20,819,119</u>	<u>\$ 19,868,667</u>	<u>\$ 966,920</u>	<u>\$ 169,569</u>
Cash Receipts			\$ 19,051,279	\$ 966,920	
Due from Parking Authority			737,473		
Due from General Capital Fund			69		
Due from Other Trust Fund			79,846	-	
			<u>\$ 19,868,667</u>	<u>\$ 966,920</u>	

**CITY OF PASSAIC
STATEMENT OF DEFERRED CHARGES**

	<u>Balance, June 30, 2012</u>	<u>Added in 2013</u>	<u>Reduced in 2013</u>	<u>Balance, June 30, 2013</u>
Emergency Authorizations	\$ 40,000	\$ 113,655	\$ 40,000	\$ 113,655

**STATEMENT OF DEFERRED CHARGES
SPECIAL EMERGENCY AUTHORIZATIONS**

<u>Date Authorized</u>	<u>Net Amount Authorized</u>	<u>1/5 of Net Amount Authorized</u>	<u>Balance June 30, 2012</u>	<u>Added in 2013</u>	<u>Reduced in 2013</u>	<u>Balance June 30, 2013</u>
9/21/2010	\$ 600,000	\$ 120,000	\$ 480,000			\$ 360,000
8/2/2011	700,000	140,000	700,000		140,000	560,000
1/24/2012	800,000	160,000	800,000		160,000	640,000
3/5/2013	600,000	120,000	-	600,000	-	600,000
			\$ 1,980,000	\$ 600,000	\$ 420,000	\$ 2,160,000

**CITY OF PASSAIC
STATEMENT OF TAX OVERPAYMENTS**

Balance, June 30, 2012	\$ 168,612
Increased by:	
Overpayments Received	<u>54,484</u>
	223,096
Decreased by:	
Refunds	<u>16,037</u>
Balance, June 30, 2013	<u>\$ 207,059</u>

STATEMENT OF PREPAID TAXES

Balance, June 30, 2012	\$ 82,653
Increased by:	
Cash Receipts	<u>85,665</u>
	168,318
Decreased by:	
Applied to 2012 Taxes Receivable	<u>82,653</u>
Balance, June 30, 2013	<u>\$ 85,665</u>

STATEMENT OF SPECIAL EMERGENCY NOTE PAYABLE

Balance, June 30, 2012	\$ 1,980,000
Increased by:	
Cash Receipts	<u>1,560,000</u>
	3,540,000
Decreased by:	
Cash Disbursements	<u>1,980,000</u>
Balance, June 30, 2013	<u>\$ 1,560,000</u>

CITY OF PASSAIC
STATEMENT OF 2012 APPROPRIATION RESERVES

	Balance, June 30, 2012	Transfers	Encumbrances Cancelled	Balance After Modifications	Paid or Charged	Balance Lapsed
GENERAL GOVERNMENT						
DEPARTMENT OF ADMINISTRATION						
Office of Business Administration						
Salaries & Wages	\$ 947			\$ 947	\$ 935	\$ 12
Other Expenses	7,113			7,113	28	7,085
Mayor and Council						
Other Expenses	10,478			10,478		10,478
City Clerk						
Salaries and Wages	197			197	184	13
Other Expenses	54,596			54,596	22,181	32,415
Human Resources						
Salaries and Wages	87			87	80	7
Other Expenses	1,575			1,575	129	1,446
Financial Administration-Treasurer's Office						
Salaries and Wages	82			82		82
Other Expenses	2,427	\$ 3,000	\$ 263	5,690	5,000	690
Annual Audit						
Other Expenses			1	1		1
Revenue Administration						
Salaries and Wages	63			63	50	13
Other Expenses	1,920			1,920	1,390	530
Tax Assessment Administration						
Salaries and Wages	156			156	150	6
Other Expenses	4,157		1,295	5,452		5,452
Legal Services						
Other Expenses	6,785	5,000	23,720	35,505	14,349	21,156
Office of Engineer						
Salaries and Wages	368			368	350	18
Other Expenses	5,067			5,067	481	4,586
Planning and Economic Development						
Salaries and Wages	538			538	500	38
Other Expenses	1,736			1,736		1,736
Division of Housing						
Salaries and Wages	5,554			5,554	5,500	54
Other Expenses	3,630			3,630	30	3,600
Redevelopment Agency						
	1			1		1
Planning Board						
Other Expenses	2,723			2,723	9	2,714
Board of Adjustment						
Other Expenses	4,058		7	4,065		4,065
Rent Leveling Board						
Salaries and Wages	1			1		1
Other Expenses	200		833	1,033		1,033
Insurance						
Liability Insurance	1			1		1
Workmen's Compensation	1			1		1
Employee Group Insurance	49,903	(16,100)		33,803	1,767	32,036
Health Benefit Waiver	1,800			1,800		1,800
Unemployment Insurance	1			1		1
DEPARTMENT OF PUBLIC WORKS						
Streets and Road Maintenance						
Salaries & Wages	19,215			19,215	16,000	3,215
Other Expenses	11,822			11,822	5,485	6,337
Solid Waste Collection						
Other Expenses						
Garbage Removal Contractual	118,119			118,119	113,007	5,112
Building and Grounds						
Salaries & Wages	1,606			1,606	1,000	606
Other Expenses	5,777		3,399	9,176		9,176
Vehicle Maintenance						
Salaries & Wages	2,871			2,871	2,500	371
Other Expenses	787		4,329	5,116		5,116

CITY OF PASSAIC
STATEMENT OF 2012 APPROPRIATION RESERVES

	Balance, June 30, 2012	Transfers	Encumbrances Cancelled	Balance After Modifications	Paid or Charged	Balance Lapsed
DEPARTMENT OF PUBLIC SAFETY						
Police Department						
Salaries and Wages	\$ 656		\$ 5,000	\$ 5,656	\$ 5,600	\$ 56
Other Expenses	4,764		8,066	12,830	400	12,430
BOE Security Watch and Res. Officer	1			1		1
Crossing Guard						
Salaries and Wages	9,063			9,063	6,000	3,063
Other Expenses	8,576			8,576		8,576
Fire Department						
Salaries and Wages	882			882	800	82
Other Expenses	859		12,661	13,520		13,520
Municipal Court						
Salaries and Wages	97			97		97
Other Expenses	1,085		9,849	10,934		10,934
Office of Emergency Management						
Salaries and Wages	2,032			2,032	2,000	32
Other Expenses	1,577			1,577	515	1,062
Prosecutor 's Office						
Other Expenses	14,228	\$ 1,200	8,229	23,657		23,657
Public Defender						
Other Expenses	500		375	875		875
Passaic Parking Authority						
Salaries and Wages	2,131			2,131	2,000	131
Other Expenses	8,655			8,655		8,655
Other Expenses-Other Contribution	2,250			2,250		2,250
DEPARTMENT OF HUMAN RESOURCES						
Division of Health						
Salaries & Wages	4			4		4
Other Expenses	1,972		17,982	19,954		19,954
Animal Regulation						
Salaries & Wages	279			279	80	199
Other Expenses	500		648	1,148		1,148
DEPARTMENT OF PARKS AND RECREATION						
Division of Recreation						
Salaries & Wages	29,434	(6,200)		23,234	12,000	11,234
Other Expenses	2,779			2,779	1,398	1,381
Senior Citizens						
Salaries & Wages	1,313			1,313	1,300	13
Other Expenses	1,197	1,000		2,197	625	1,572
Handicapped Recreation						
Salaries & Wages	53			53		53
Other Expenses	322			322	307	15
Maintenance of Parks						
Salaries & Wages	3,722			3,722	3,500	222
Other Expenses	3,292		493	3,785		3,785
OTHER COMMON OPERATING FUNCTIONS						
Celebration of Public Events	1			1		1
Retired Employees						
Other Expenses	100			100		100
UNIFORM CONSTRUCTION CODE- APPROPRIATIONS OFFSET BY DEDICATED REVENUES						
Division of Code Enforcement						
Salaries & Wages	418			418	400	18
Other Expenses	6,160			6,160	189	5,971

CITY OF PASSAIC
STATEMENT OF 2012 APPROPRIATION RESERVES

	Balance, June 30, <u>2012</u>	<u>Transfers</u>	Encumbrances <u>Cancelled</u>	Balance After <u>Modifications</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
UNCLASSIFIED						
Utilities:						
Electricity	\$ 153,228	\$ (25,000)		\$ 128,228	\$ 79,558	\$ 48,670
Telephone and Telegraph	7,778			7,778	4,317	3,461
Heating Oil	822			822		822
Street Lighting	91,281	25,000		116,281	115,905	376
Gasoline	11,475	13,100		24,575	24,480	95
LANDFILL/SOLID WASTE DISPOSAL COSTS						
Tipping Fees	388,211	(2,600)		385,611	229,119	156,492
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"						
Anticipated Deficit Sewer Utility	21,610			21,610		21,610
Statutory Expenditures						
Social Security System (O.A.S.I.)	13,680			13,680		13,680
PERS	26,977			26,977	26,977	
PFRS	1,049,778			1,049,778	1,049,778	
Pension for Widows	1			1		1
Consolidated Police and Firemen's Pension Fund	37			37		37
Deferred Compensation Retirement Plan	700			700	490	210
GENERAL APPROPRIATIONS - ALL OTHER OPERATIONS EXCLUDED FROM "CAPS"						
Recycling Tax	7,672	1,600		9,272	9,216	56
COPS Secure our Schools	21,050			21,050		21,050
Matching Funds For Grants	2,965	-	-	2,965	-	2,965
	<u>\$ 2,232,529</u>	<u>\$ -</u>	<u>\$ 97,150</u>	<u>\$ 2,329,679</u>	<u>\$ 1,768,059</u>	<u>\$ 561,620</u>
Cash Disbursements					\$ 571,110	
Transferred to Accounts Payable					80,194	
Transferred to Other Trust Fund - Accumulated Sick and Vacation					40,000	
Transferred to Reserve for Pension					<u>1,076,755</u>	
					<u>\$ 1,768,059</u>	

**CITY OF PASSAIC
STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE**

Increased by:		
Levy		\$ 16,998,497
Decreased by:		
Cash Disbursements		<u>\$ 16,998,497</u>

EXHIBIT A-22

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:			
Levy			
General County		\$ 21,172,687	
County Open Space Preservation		326,767	
County Added/Omitted Taxes		<u>30,447</u>	
			\$ 21,529,901
Decreased by:			
Cash Disbursed			<u>21,529,379</u>
Balance, June 30, 2013			<u>\$ 522</u>

EXHIBIT A-23

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, June 30, 2012			\$ 741,559
Increased by:			
Transferred from Budget Appropriations			<u>1,984,858</u>
			2,726,417
Decreased by:			
Payments		\$ 644,409	
Cancelled Encumbrances Restored to Appropriation Reserves		<u>97,150</u>	
			<u>741,559</u>
Balance, June 30, 2013			<u>\$ 1,984,858</u>

**CITY OF PASSAIC
STATEMENT OF ACCOUNTS PAYABLE**

Balance, June 30, 2012		\$	62,369
Increased by:			
Transfer from SFY 2013 Appropriations		\$	399
Transfer from SFY 2012 Appropriation Reserves			<u>80,194</u>
			<u>80,593</u>
Balance, June 30, 2013		\$	<u>142,962</u>

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, June 30, 2012		\$	1,304,289
Increased by:			
Transferred from 2013 Tax Collections			<u>500,000</u>
			1,804,289
Decreased by:			
Cash Payments			<u>220,394</u>
Balance, June 30, 2013		\$	<u>1,583,895</u>

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, June 30, <u>2012</u>	<u>Cash Receipts</u>	Realized as Current Fund <u>Revenue</u>	Balance, June 30, <u>2013</u>
Allowance for Grant Reimb. PILOT - Housing Authority	\$ 706			\$ 706
	<u>103,281</u>	\$ 130,820	\$ 103,280	<u>130,821</u>
	<u>\$ 103,987</u>	<u>\$ 130,820</u>	<u>\$ 103,280</u>	<u>\$ 131,527</u>

**CITY OF PASSAIC
STATEMENT OF FEES PAYABLE**

	Balance, June 30, 2012	Receipts	Disburse- ments	Balance, June 30, 2013
Construction Code Training Fees	\$ 123	\$ 24,164	\$ 22,630	\$ 1,657
Burial Fees	235	610	520	325
Bail Bond Forfeiture Fees	225	75,480	74,455	1,250
Ambulance Billing Fees	16,759	948,453	945,344	19,868
	<u>\$ 17,342</u>	<u>\$ 1,048,707</u>	<u>\$ 1,042,949</u>	<u>\$ 23,100</u>

EXHIBIT A-28

STATEMENT OF RESERVE FOR PENSION

Increased by:

Transfer from 2012 Appropriation Reserves	\$ 1,076,755
Balance, June 30, 2013	<u>\$ 1,076,755</u>

EXHIBIT A-29

STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS - GRANT FUND

	Balance June 30, 2012	Cash Receipts	Realized as Current Fund Revenue	Balance June 30, 2013
Alcohol Education	\$ 11,440	\$ 11,663	\$ 11,440	\$ 11,663
Housing Opportunity - HOPWA		2,908		2,908
Body Armor Grant	14,389		14,389	
Ryan White	15,630			15,630
UEZA	1,733,994		597,764	1,136,230
Multi Culture Grant	-	450	-	450
	<u>\$ 1,775,453</u>	<u>\$ 15,021</u>	<u>\$ 623,593</u>	<u>\$ 1,166,881</u>
Due to Current Fund			<u>\$ 623,593</u>	

CITY OF PASSAIC
STATEMENT OF DUE FROM HOME INVESTMENT PROGRAM FUND - GRANT FUND

Balance, June 30, 2012	\$ 247,294
Decreased by:	
Receipts from Home Investment Program Fund	<u>\$ 247,294</u>

**CITY OF PASSAIC
STATEMENT OF GRANTS RECEIVABLE**

	Balance, June 30, <u>2012</u>	<u>Accrued</u>	<u>Received</u>	<u>Cancellations</u>	Balance, June 30, <u>2013</u>
NJ DCA: Lead Intervention	\$ 181,860				\$ 181,860
NJ DOT: Main Ave Streetscape	3,629				3,629
Open Space 08 - Parks Rehabilitation	106,444		\$ 67,915		38,529
Trans Trust 07: Parker / Holdsworth / Howe Avenues	75,000			\$ 75,000	
JAIBG07:St House + Match	84				84
Edward Byrne Memorial Justice Assistance Grant (JAG)-ARRA	31,576		31,576		
Parks Rehabilitation - Passaic County Open Space	137,205				137,205
DCA Neighborhood Preservation Program	795,207		478,270	316,937	
Assistance to Firefighters Grant Program - Homeland Security - FEMA	24,851		24,851		
2011 Municipal Aid Program-Quincy/Sherman Streets	107,866		107,866		
Edward Byrne Memorial Justice Assistance Grant (JAG)-ARRA	98,553		98,553		
Neighborhood Crime Prevention - NJ Dept. of Law & Public Safety	40,578		40,578		
Addiction Services	2,270				2,270
Advanced Traffic	119,600				119,600
Edward Byrne Memorial Justice Assistance Grant (JAG)-ARRA-10	228,949		62,759		166,190
Click It or Ticket Grant	500			500	
Law Enforcement Block Grant	246,204		246,204		
Walk Safe Passaic	1,700				1,700
Housing Opportunity - HOPWA	96,589		96,589		
Municipal Alliance on Alcoholism and Drug Abuse - 2011	22				22
Cancer Assessment - 2012	35,464	\$ 2,407	15,671		22,200
Childhood Lead Paint - 2012	43,262		43,262		
Driver Sober - 2012	50			50	
Multicultural Affairs - County of Passaic - 2012	550		550		
Women Infant Children - 2012	313,308	30,766	339,661		4,413
NJ DOT - St Francis Monroe Blaine	300,614			28,041	272,573
NJ DOT - Quincy/Allen	285,500				285,500
Green Acres 2010: Christopher Columbus	900,000				900,000
Byrne Memorial - 2011	284,032		24,609		259,423
Baseball Tomorrow	95,597		95,597		-
Click It or Ticket - 2012	4,000		2,550	100	1,350
Fire Safer - 2012	1,530,304		497,564		1,032,740
Municipal Alliance on Alcoholism and Drug Abuse - 2012	41,903		41,868		35
Neighborhood Crime JAG	40,578		40,578		
Open Space - 2010 - Christopher Columbus	200,000				200,000
Open Space - 2011 - Christopher Columbus	500,000				500,000
Recreation Opportunity - 2012	7,500		7,500		
Ryan White I - 2013	169,787		110,412		59,375
Summer Employment - 2012	19,400		19,355		45
Summer Food - 2012	404,678		216,924	187,754	
Safe and Secure - 2012	90,000		90,000		
Walk Safe - 2012	16,000		9,165		6,835

CITY OF PASSAIC
STATEMENT OF GRANTS RECEIVABLE

	Balance, June 30, <u>2012</u>	Revenue <u>Accrued</u>	Cash <u>Received</u>	<u>Cancellations</u>	Balance, June 30, <u>2013</u>
Neighborhood Crime Prevention - 2013		\$ 33,274			\$ 33,274
Board of Education - Playground Equipment		175,000			175,000
Board of Education - Skateboard Park		100,000			100,000
Board of Education - Schvenko Park		75,000			75,000
Board of Education - Pulaski Park		75,000			75,000
Board of Education - Columbus Park		300,000			300,000
Department of Transportation - 8th Street - 2013		309,160			309,160
Body Armor Grant - 2012		13,022	\$ 13,022		
Summer Food Program - 2013		430,559			430,559
Safe and Secure - 2013		90,000			90,000
Senior Citizen Transportation (Co.) - 2011		15,420	15,420		
Municipal Alliance - 2013		39,689	7,604		32,085
Recycling Tonnage - 2012		100,865	100,865		
Ryan White I		58,098			58,098
Click It or Ticket		4,000			4,000
Senior Citizen Transportation (Co.) - 2012		44,982	44,982		
WIC - 2013		837,516	469,299		368,217
Cancer Assessment - 2013		38,300			38,300
Clean Communities - 2013		69,402	69,402		
Childhood Lead Paint - 2013		159,250	111,535		47,715
Drunk Driving Enforcement Fund - 2011		46,382	46,382		
Drive Sober or Get Pulled Over - 2013		4,400	4,400		
Fire Assistance -Fire Prevention - 2011		10,056	10,056		
Byrne Memorial - 2013		232,746			232,746
Hep Inoculation - 2013		700	700		
Housing Opportunity - 2011 (HOPWA)		100,000			100,000
Summer Employment - 2013		19,400			19,400
Juvenile Accountability (Co.)		-	20,328	-	35,328
	<u>\$ 7,581,214</u>	<u>\$ 3,471,050</u>	<u>\$ 3,724,422</u>	<u>\$ 608,382</u>	<u>\$ 6,719,460</u>
Due to Current Fund		\$ 3,471,050			
Cash Receipts			\$ 2,446,677		
Due from Current - Disallowed Charges to Operations				\$ 86,937	
Due from Current Fund - Grant Receipts			1,277,745		
Cancelled to Reserve for Appropriated Grants		-	-	521,445	
		<u>\$ 3,471,050</u>	<u>\$ 3,724,422</u>	<u>\$ 608,382</u>	

CITY OF PASSAIC
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

	Balance June 30, 2012		Increased by: Budget	Cash	Cancelled	Balance June 30, 2013	
	Encumbered	Reserved				Encumbered	Reserved
Relocation Assistance Program	\$	4,890				\$	4,890
Relocation Assistance Program - City Match		5,435					5,435
Municipal Alliance 2006		5				\$	5
Columbia Ave/Green Acres/UPAR		3,721					3,721
Byrne Memorial Justice - 2006		377					377
Booster Seat - 2008		1,227					1,227
NJ Comprehensive Cancer Awareness - 2009	\$	1,534	\$	4,309			613
Cancer Assessment - 2010		91		91			
Ryan White Title I - 2008		1,950		1,850			100
Ryan White Title I - 2009		68		68			
Tobacco Control Grant		18					18
NJDCA - Lead Intervention		149,440					149,440
Passaic County - Open Space - 2008		21,986		(6,720)	\$	30,285	3,921
NJDOT - Transportation Trust - Howe/Parker Ave., Holdsworth Ct.		75,000			75,000		
NJDOT - Transportation Trust - Howel/Lincoln/St. Francis		61,555					61,555
Emergency Management - FEMA	1			1			
Body Armor 08	813	15,909				16,722	
Drunk Driving 07		168		168			
Drunk Driving 08		549		549			
Domestic Violence - 2006	184	1,539		326			1,397
Emergency Tel 07: Communications - 911 Grant		2,829					2,829
Emergency Tel 08: Communications - 911 Grant		6,961		3,073			3,888
Hepatitis B Inoculation - 2008		9					9
Juvenile Accountability Incentive 2008							
Municipal Alliance 2007		13				13	
Municipal Alliance 2008		195				184	11
Municipal Alliance 2009		297					297
Summer Food 2009		11,957					11,957
Tobacco Prevention 2008		51					51
Tobacco Prevention 2009	160	3,472		1,589			2,043
UEZA '08-Landscape Maintenance		13,621		3,798			8,304
Edward Byrne Memorial Justice Assistance Grant (JAG)-ARRA	1,797	3,431		5,228		1,519	
Lead Intervention for Children at Risk		71					71
Drunk Driving Enforcement Fund		2,344		2,344			
Parks Rehabilitation - Passaic County Open Space Grant		137,205				137,205	

CITY OF PASSAIC
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

	Balance June 30, 2012		Increased by: Budget Appropriation	Cash Disbursements	Cancelled	Balance June 30, 2013	
	Encumbered	Reserved				Encumbered	Reserved
Urban Enterprise Zone-Administration	\$	1,059				\$	1,059
DCA Neighborhood Preservation Program	\$	193,966				\$	14,592
Assistance to Firefighters Grant Program - Homeland Security - FEMA		15,099		\$	230,000		
Assistance to Firefighters Grant Program-Matching		13,752					
Pedestrian Safety Grant - Division of Highway Traffic Safety		510					510
Edward Byrne Memorial Justice Assistance Grant (JAG)-ARRA		34,352					29
Municipal Alliance on Alcoholism and Drug Abuse		18					18
Public Health Priority Funding		3,645		1,507			2,138
Energy Efficiency & Conservation Block Grant - US Dept. of Energy		59,874		93,733			197,061
Body Armor Fund		5,139				5,139	
Multicultural Affairs - County of Passaic		650					650
NJDOA-Summer Food Program		10,489					10,489
Edward Byrne Memorial Justice Assistance Grant (JAG)-ARRA		117,061		163,534		14,438	30,920
Cancer Assessment Grant		727		1,463			17
Lead Intervention for Children at Risk		3,119		4,729		324	58
Drunk Driving Enforcement Fund		7,975		7,975			
Law Enforcement Grant		50,143		19,990		62,129	
Over the Limit - Under Arrest		2,000					2,000
Recycling Tonnage Grant		388		388			
Urban Enterprise Zone - Marketing 2011		30,083		1,486			28,597
Urban Enterprise Zone - Graffiti Eradication 2011		32,898					32,898
Urban Enterprise Zone - Security Patrol 2011		38,790					38,790
Urban Enterprise Zone - Administration 2011		1					1
Emergency Preparedness Grant		6					6
Clean Communities Program		367		130			367
Body Armor Fund		130				15,165	
Juvenile Accountability Incentive Block Grant (JAIBG) - Station House		100					100
Occupant Protection Program - Click It or Ticket 2010		500				500	
Summer Employment		859		859			1,688
Summer Food Grant		2,055		367			300
Pedestrian Safety Grant		300					66
Neighborhood Crime Prevention		168		102			10
Municipal Alliance on Alcoholism and Drug Abuse		2,510		1,939		561	

CITY OF PASSAIC
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

	Balance June 30, 2012		Increased by: Budget Appropriation	Cash Disbursements	Cancelled	Balance June 30, 2013	
	Encumbered	Reserved				Encumbered	Reserved
Advanced Traffic Grant	\$ 14,641	\$ 99,865	\$	3,561		\$ 11,080	\$ 99,865
Housing Opportunity HOPWA Grant		73,456		49,649			23,807
Alcohol Education - 2011	3,075	65		550			2,590
Edward Byrne Memorial - 2011	184,295	99,737		92,079		191,953	
Baseball Tomorrow - 2011	95,597			93,449		2,148	
Cancer Assessment - 2012	875	17,394	\$ 2,407	20,146		530	
Clean Communities - 2010		87		87			
Clean Communities - 2012		59,112		58,808			304
Click It or Ticket - 2012		100					
Childhood Lead Paint - 2012	4,432			4,432			
Drive Sober - 2012		50					
NJ DOT - St Francis Monroe Blaine		300,614		(45)	28,041	272,618	
NJ DOT - Quincey/Allen		285,500		275,932		9,568	
Fire Safer - 2012		1,530,304		688,606			841,698
Green Acres 2010: Christopher Columbus		900,000				900,000	
Hep. Inoculation - 2012	2,788	1,787		4,575			
JAIHG - 2010	225	819		1,030			14
Municipal Alliance on Alcoholism and Drug Abuse - 2012	484	17,417		17,866			35
Municipal Alliance on Alcoholism and Drug Abuse - 2012 Local Match		10,476		10,476			
Multicultural Affairs - County of Passaic - 2012		1,100		1,100			
Neighborhood Crime JAG	1,781	21,266		23,047			
Neighborhood Crime JAG - Local Match		13,526		13,526			
Open Space - 2010 - Christopher Columbus		200,000				200,000	
Open Space - 2011 - Christopher Columbus		500,000				500,000	
Recreation Opportunity - 2012		7,500		7,500			102,774
Ryan White I - 2012		169,757		66,983			18,148
Ryan White I - 2013	1,328	76,598		59,778			45
Summer Employment - 2012		19,400		19,355			49,995
Summer Food - 2012		403,000		165,251	187,754		
Safe and Secure - 2012		90,000		90,000			
Walk Safe - 2012	1,915	8,685		3,415			7,185
Recycling Tonnage Grant - 2011	19,364	43,454		34,159			28,659
Urban Enterprise Zone - Panatose Study		79,180					79,180
Urban Enterprise Zone - Signage Improvement		193,659		399			193,260
Urban Enterprise Zone - Graffiti Erad		83,176		74,202		5,883	3,091

CITY OF PASSAIC
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

	Balance June 30, 2012		Increased by: Budget		Cash	Cancelled	Balance June 30, 2013	
	Encumbered	Reserved	Appropriation	Disbursements			Encumbered	Reserved
Urban Enterprize Zone - Clean Sweep	\$	139,380	\$		\$ 139,380		\$	5,120
Urban Enterprize Zone - Security Patrol		5,120			7,085			
Urban Enterprize Zone - Security Patrol - Municipal Share		7,085			3			
Urban Enterprize Zone - Administration Salaries and Wages		3			87,908			
Urban Enterprize Zone - Administration Commodities		87,908			10,000			
Urban Enterprize Zone - Revolving Loan II		998,185			192,346			988,185
Women Infant Children - 2012	\$	5,980	\$	30,766	5,400		\$	4,500
Alcohol Education - 2011				11,440				
Body Armor Grant - 2011				14,389				14,389
Neighborhood Crime Prevention - 2013				33,274				120
Board of Education - Playground Equipment				175,000				35,333
Board of Education - Skateboard Park				100,000				100,000
Board of Education - Schvenko Park				75,000				67,286
Board of Education - Pulaski Park				75,000				7,714
Board of Education - Columbus Park - Indoor Facility				200,000				200,000
Board of Education - Columbus Park - Water Spray Pad				100,000				81,634
Department of Transportation - 8th Street - 2013				309,160				309,160
Body Armor Grant - 2012				13,022				282
Summer Food Program - 2013				430,559				429,274
Safe and Secure - 2013				90,000				45,000
Senior Citizen Transportation (Co.) - 2011				15,420				
Municipal Alliance - 2013				49,611				145
Recycling Tonnage - 2012				100,865				17,891
Ryan White I				58,098				
Click It or Ticket				4,000				
Senior Citizen Transportation (Co.) - 2012				44,982				
WIC - 2013				837,516				15,025
Cancer Assessment - 2013				38,300				193,395
Clean Communities - 2013				69,402				36,675
Childhood Lead Paint - 2013				159,250				69,402
Drunk Driving Enforcement Fund - 2011				46,382				3,029
Drive Sober or Get Pulled Over - 2013				4,400				27,100
Fire Assistance - Fire Prevention - 2011				12,570				
Byrne Memorial - 2013				232,746				232,683
Hep Inoculation - 2013				700				700

**CITY OF PASSAIC
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS**

	Balance June 30, 2012		Increased by: Budget		Cash		Balance June 30, 2013	
	Encumbered	Reserved	Appropriation	Disbursements	Cancelled	Encumbered	Reserved	
Housing Opportunity - 2011 (HOPWA)			\$ 100,000	\$ 26,385		\$ 3,698	\$ 69,917	
Summer Employment - 2013			19,400				19,400	
Juvenile Accountability (Co.) - 2011			35,328	22,574		7,444	5,310	
Juvenile Accountability (Co.) - 2012			20,328	6,880			13,448	
Urban Enterprize Zone - Graffiti Erad - 2013			83,619				83,619	
Urban Enterprize Zone - Clean Sweep - 2013			218,845	85,421		19,888	113,536	
Urban Enterprize Zone - Administration Salaries and Wages - 2013			67,000	50,957			16,043	
Urban Enterprize Zone - Administration Commodities - 2013			228,300	66,874		26,600	134,826	
	<u>\$ 765,456</u>	<u>\$ 8,041,323</u>	<u>\$ 4,107,079</u>	<u>\$ 4,282,363</u>	<u>\$ 521,445</u>	<u>\$ 3,234,047</u>	<u>\$ 4,876,003</u>	
Cash Disbursements				\$ 2,241,939				
Due from Current Fund			\$ 4,107,079					
Due to Current Fund				2,040,424				
Grants Receivable				-	\$ 521,445			
			<u>\$ 4,107,079</u>	<u>\$ 4,282,363</u>	<u>\$ 521,445</u>			

CITY OF PASSAIC
STATEMENT OF RESERVE FOR PROGRAM INCOME - GRANT FUND

Balance, June 30, 2012	\$ 6,000
Increased by:	
Cash Receipts	<u>68,969</u>
	74,969
Decreased by:	
Cash Disbursements	<u>68,969</u>
Balance, June 30, 2013	<u>\$ 6,000</u>

TRUST FUND

**CITY OF PASSAIC
STATEMENT OF TRUST CASH AND INVESTMENTS**

	Animal Control <u>Fund</u>	Other Trust <u>Fund</u>	Community Development Block Grant <u>Fund</u>	Home Investment Program <u>Fund</u>
Balance, June 30, 2012	\$ 47,030	\$ 4,348,818	\$ 28,056	\$ 220,376
Increased by:				
Animal Licenses	6,890			
Adoption Fees	10,575			
Due State of New Jersey	1,064			
Current Fund Receipts		79,846		
Miscellaneous Reserves and Deposits		59,828,778		
Received from Current Fund		1,207,317	534,000	
Received from Grant Fund		164,000		
Received from Sewer Utility Operating Fund		1,000,000		
Interest Income				57
HUD - CDBG Program Allotments			1,678,310	
HUD - HOME Program Allotments				416,720
Rehab Program Match	-	-	71,566	-
	<u>18,529</u>	<u>62,279,941</u>	<u>2,283,876</u>	<u>416,777</u>
	<u>65,559</u>	<u>66,628,759</u>	<u>2,311,932</u>	<u>637,153</u>
Decreased by:				
Due State of New Jersey	1,109	35,552		
Animal Control Expenditures	9,912			
Miscellaneous Reserves and Deposits		58,918,243		
Reserve for Encumbrances	5,940			
HUD-CDBG Program Expenditures			1,734,484	
Payments to Current Fund			532,277	110,000
Payments to Sewer Utility Operating Fund		1,200,000		
Payments made for Current Fund		40,560		
Payments to Grant Fund		164,000		247,294
HUD - Home Investment Program Expenditures	-	-	-	225,639
	<u>16,961</u>	<u>60,358,355</u>	<u>2,266,761</u>	<u>582,933</u>
Balance, June 30, 2013	<u>\$ 48,598</u>	<u>\$ 6,270,404</u>	<u>\$ 45,171</u>	<u>\$ 54,220</u>

**CITY OF PASSAIC
STATEMENT OF DUE TO STATE OF NEW JERSEY
ANIMAL CONTROL FUND**

Balance, June 30, 2012		\$ 169
Increased by:		
Cash Receipts		<u>1,064</u>
		1,233
Decreased by:		
Cash Disbursed		<u>1,109</u>
Balance, June 30, 2013		<u>\$ 124</u>

EXHIBIT B-3

**STATEMENT OF RESERVE FOR EXPENDITURES
ANIMAL CONTROL FUND**

Balance, June 30, 2012		\$ 40,921
Increased by:		
Dog/Cat Licenses	\$ 6,890	
Adoption Fees	<u>10,575</u>	
		<u>17,465</u>
		58,386
Decreased by:		
Cash Disbursements	9,912	
Statutory Excess - Due to Current Fund	6,896	
Reserved for Encumbrances	<u>2,970</u>	
		<u>19,778</u>
Balance, June 30, 2013		<u>\$ 38,608</u>

EXHIBIT B-4

**STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL FUND**

Increased by:		
Statutory Excess - Due to Current Fund		<u>\$ 6,896</u>
Balance, June 30, 2013		<u>\$ 6,896</u>

**CITY OF PASSAIC
STATEMENT OF DUE TO GRANT FUND
OTHER TRUST FUND**

Increased by:	
Receipts from Grant Fund	\$ 164,000
Decreased by:	
Payments to Grant Fund	<u>\$ 164,000</u>

EXHIBIT B-6

**STATEMENT OF RESERVE FOR ENCUMBRANCES
ANIMAL CONTROL FUND**

Balance, June 30, 2012	\$ 5,940
Increased by:	
Charges to Reserve for Expenditures	<u>2,970</u>
	8,910
Decreased by:	
Cash Disbursements	<u>5,940</u>
Balance, June 30, 2013	<u>\$ 2,970</u>

EXHIBIT B-7

**STATEMENT OF OTHER RECEIVABLES
OTHER TRUST FUND**

Balance, June 30, 2012	<u>\$ 19,416</u>
Balance, June 30, 2013	<u>\$ 19,416</u>

**CITY OF PASSAIC
STATEMENT OF DUE FROM CURRENT FUND
OTHER TRUST FUND**

Balance, June 30, 2012		\$ 236,567
Increased by:		
Current Fund Expenditures Paid by Other Trust Fund	\$	40,560
Other Trust Reserves and Deposits:		
Receipts Deposited in Current Fund	\$	96,105
2012 Appropriation Reserves		40,000
2013 Budget Appropriations		
Tax Map	600,000	
Workers Compensation	1,335,225	
Liability Insurance	1,367,000	
Unemployment Insurance	<u>299,999</u>	
		<u>3,738,329</u>
		<u>3,778,889</u>
		4,015,456
Decreased by:		
Other Trust Fund Expenditures Paid by Current Fund	2,718,461	
Receipts from Current Fund	1,207,317	
Current Fund Receipts Deposited in Other Trust Fund	<u>79,846</u>	
		<u>4,005,624</u>
Balance, June 30, 2013		<u>\$ 9,832</u>

EXHIBIT B-9

**STATEMENT OF DUE FROM SEWER UTILITY OPERATING FUND
OTHER TRUST FUND**

Increased by:		
Payments to Sewer Utility Operating Fund	\$	1,200,000
Decreased by:		
Receipts from Sewer Utility Operating Fund		<u>1,000,000</u>
Balance, June 30, 2013		<u>\$ 200,000</u>

EXHIBIT B-10

**STATEMENT OF DUE TO STATE OF NEW JERSEY - UNEMPLOYMENT
OTHER TRUST FUND**

Balance, June 30, 2012		\$ 35,552
Increased by:		
Unemployment Claims Charged to Miscellaneous Reserves and Deposits		<u>24,980</u>
		60,532
Decreased by:		
Cash Disbursements		<u>35,552</u>
Balance, June 30, 2013		<u>\$ 24,980</u>

**CITY OF PASSAIC
STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS
OTHER TRUST FUND**

	Balance, June 30, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, <u>2013</u>
Marriage License Fees	\$ 7,275	\$ 7,975	\$ 10,750	\$ 4,500
Payroll Deductions/Pension/ Salary Deposits	224,312	51,495,750	51,485,201	234,861
Police Funds	113,610	36,830	105,507	44,933
Police Off Duty Fees	86,941	750,254	791,184	46,011
Demolition & Performance Bond Deposits	84,848	9,000	1,000	92,848
Tax Redemption Deposits	212,015	2,981,998	2,794,794	399,219
Rental Rehabilitation	7,699			7,699
Developers Escrow Deposits	182,827	86,299	72,542	196,584
Zoning Developers Escrow		35,359	5,275	30,084
Primary General Election	80,986	45,523	105,099	21,410
Defense Bond Deposits	345		345	
Elevator Inspection Fees	121,780	81,201	58,182	144,799
Fire Permits and Fines	125,667	8,457	59,232	74,892
Fire Line Safety Reg.	284,605	363,992	353,305	295,292
Fire Dedicated Funds	19,461	3,650	9,171	13,940
Unemployment Compensation Insurance	4,087	346,240	201,809	148,518
Self-Insurance	290,124	1,733,728	1,675,330	348,522
Workmans Compensation	138,525	2,627,763	2,611,602	154,686
Parking Offenses Adjudication Act Fees	10,154	31,260	33,724	7,690
Municipal Alliance Fund Raiser - Donations	285	150	265	170
Tax Sale Premium Deposits	1,209,850	1,658,900	692,700	2,176,050
Festival Performance Bonds	47,671	18,000	9,496	56,175
Recreation - Donations	5,013	22,932	23,739	4,206
Recreation Official Fee	4,835	5,760	5,511	5,084
EMS Facility	3,180	138		3,318
United Way Alliance	5			5
Multi Cultural Affair - Donations	16,326	10,000	15,496	10,830
Animal Control - Donations	3,034	1,366		4,400
Relocation Assistance-Donations	1,209			1,209
Senior Citizen - Donations	2,878	7,389	3,894	6,373
Substance Abuse - Donations	12,611	10,981	18,428	5,164
Nextel Rebanding Escrow Deposit	29,655			29,655
Affordable Housing	30,662			30,662
Regional Contribution Agreement	66,132	36		66,168
Police and Firemen's Retirement Pension	279			279
Health Benefit Insurance	618,851			618,851
Tax Map Assessor Emergency		600,000	19,652	580,348
Developers Performance Bond	20,000	9,921	9,921	20,000
Accumulated Sick and Vacation	282,490	421,528	331,868	372,150
Drug Court Substance Abuse	97,211	135,007	136,007	96,211
NJ ACH Death Certificate	41,180	11,910	7,339	45,751
Festival Expense	480	1,760	2,090	150
Substance Abuse - NJ Medical Assistance	1,937	6,050	3,795	4,192
NJAI State Substance Abuse	7			7
Litigation Settlement	78,207	-	7,431	70,776
	<u>\$ 4,569,249</u>	<u>\$ 63,567,107</u>	<u>\$ 61,661,684</u>	<u>\$ 6,474,672</u>
Cash Receipts		\$ 59,828,778		
Due from Current Fund		<u>3,738,329</u>		
		<u>\$ 63,567,107</u>		
Cash Disbursed			\$ 58,918,243	
Due to Current Fund			2,718,461	
Due to State of New Jersey			<u>24,980</u>	
			<u>\$ 61,661,684</u>	

**CITY OF PASSAIC
STATEMENT OF DUE FROM HUD
COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

Balance, June 30, 2012		\$ 1,737,248
Increased by:		
Program Allotment - Year 38		<u>1,308,497</u>
		3,045,745
Decreased by:		
Cash Receipts	\$ 1,678,310	
IDIS Adjustments	<u>8,490</u>	
		<u>1,686,800</u>
Balance, June 30, 2013		<u>\$ 1,358,945</u>

EXHIBIT B-13

**STATEMENT OF RESERVE FOR PROGRAM EXPENDITURE - CDBG
COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

Balance, June 30, 2012		\$ 1,914,359
Increased by:		
Program Allotment - Year 38	\$ 1,308,497	
Boys & Girls Club Rehabilitation Project Match	<u>71,566</u>	
		<u>1,380,063</u>
		3,294,422
Decreased by:		
Cash Disbursements	1,734,484	
IDIS Adjustments	<u>8,490</u>	
		<u>1,742,974</u>
Balance, June 30, 2013		<u>\$ 1,551,448</u>
	Program Income	\$ 36,782
	Year 38	821,142
	Year 38 - Boys/Girls Club Rehab. Match	71,566
	Year 37 and Prior	617,821
	Year 36 - YMCA Rehab. Match	<u>4,137</u>
		<u>\$ 1,551,448</u>

**CITY OF PASSAIC
STATEMENT OF DUE FROM HUD -
HOME INVESTMENT PROGRAM FUND**

Balance, June 30, 2012		\$ 413,283
Increased by:		
Grant Allotments		
Current Year Allotment - Year 38		<u>610,583</u>
		1,023,866
Decreased by:		
Cash Receipts - HUD	\$ 416,720	
IDIS Adjustments	<u>28,367</u>	
		<u>445,087</u>
Balance, June 30, 2013		<u>\$ 578,779</u>

**STATEMENT OF OTHER RECEIVABLES
COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

Balance, June 30, 2012		<u>\$ 155,454</u>
Balance, June 30, 2013		<u>\$ 155,454</u>

Analysis of Balance

Business and Housing Loans		<u>\$ 155,454</u>
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**STATEMENT OF MORTGAGE RECEIVABLE
HOME INVESTMENT PROGRAM FUND**

Balance, June 30, 2012		\$ 446,267
Increased by:		
Deferred Interest Accrued		<u>4,463</u>
Balance, June 30, 2013		<u>\$ 450,730</u>

**CITY OF PASSAIC
STATEMENT OF RESERVE FOR PROGRAM EXPENDITURES - UDAG
COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

Balance, June 30, 2012	\$ <u>8,122</u>
Balance, June 30, 2013	\$ <u>8,122</u>

**STATEMENT OF DUE FROM CURRENT FUND
COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

Balance, June 30, 2012	\$ 1,723
Increased by:	
Payments to Current Fund	<u>532,277</u>
	534,000
Decreased by:	
Cash Receipts from Current Fund	<u>\$ 534,000</u>

**CITY OF PASSAIC
STATEMENT OF DUE TO CURRENT FUND
HOME INVESTMENT PROGRAM FUND**

Increased by:		
Payments Made by Current Fund	\$	189,897
Decreased by:		
Payments to Current Fund		<u>110,000</u>
Balance, June 30, 2013	\$	<u>79,897</u>

EXHIBIT B-20

**STATEMENT OF RESERVE FOR HOME INVESTMENT PROGRAM -
HOME INVESTMENT PROGRAM FUND**

Balance, June 30, 2012	\$	386,365
Increased by:		
Grant Allotments		
Current Year Allotment - Year 37	\$	610,583
Program Income		
Interest Income		<u>57</u>
		<u>610,640</u>
		997,005
Decreased by:		
Cash Disbursements	225,639	
IDIS Adjustments	28,367	
Payments Made by Current Fund	<u>189,897</u>	
		<u>443,903</u>
Balance, June 30, 2013	\$	<u>553,102</u>

EXHIBIT B-21

**STATEMENT OF DUE TO GRANT FUND
HOME INVESTMENT PROGRAM FUND**

Balance, June 30, 2012	\$	247,294
Decreased by:		
Cash Disbursements	\$	<u>247,294</u>

GENERAL CAPITAL FUND

CITY OF PASSAIC
STATEMENT OF GENERAL CAPITAL CASH AND INVESTMENTS - TREASURER

Balance, June 30, 2012		\$ 1,468,071
Increased by Receipts:		
Interest Earned	\$ 69	
Capital Improvement Fund	100,000	
Received from Current Fund	100,000	
Reserve for Debt Service	<u>76,178</u>	
		<u>276,247</u>
		1,744,318
Decreased by Disbursements:		
Payments to Current Fund	100,069	
Improvement Authorizations	171,790	
Encumbrances Payable	<u>1,198,859</u>	
		<u>1,470,718</u>
Balance, June 30, 2013		<u>\$ 273,600</u>

**CITY OF PASSAIC
ANALYSIS OF GENERAL CAPITAL CASH**

		Balance June 30, <u>2013</u>
Capital Improvement Fund		\$ 21,499
Grants/Loans Receivable		(750,000)
Encumbrances Payable		1,033,279
Due to Grant Fund		13,591
Reserve for Curb and Sidewalk Improvements		5,000
Reserve for Debt Service		99,788
Improvement Authorizations		
<u>Ord. No.</u>	<u>Improvement Description</u>	
1036-88	Various Improvements	(2,075)
1413-97	Various Improvements	83
1451-98	Various Improvements	25,622
1469-99	Improvements to Broadway Viaduct	15,995
1474-99	Improvements to Third Ward Park	9,673
1508-01	Various Improvements	36,462
1542-02/		
1784-08	Various Improvements	795,010
1587-03	Various Improvements	200,360
1623-04	Various Improvements	923
1643-04	Various Improvements - Pulaski Park	(250,000)
1655-05	Various Improvements	150,010
1675-05	Various Park Improvements	47
1697-06	Purchase of Real Property	24,716
1746-07	Acquisition of Tractor Drawn Aerial and Equipment	12,699
1769-08	Building Acquisition / Improvements	26,867
1839-10	Improvements to Pulaski Park	(487,450)
1865-11	Acquisition of Ambulance	(118,647)
1868-11	Replacement of City's Telephone System	(221,565)
1917-12	Acquisition of a Fire Apparatus	(163,800)
1922-12	Acquisition of Property and Recreational Imprvts	29,643
1935-13	Various Capital Improvements	(327,685)
1944-13	Acquisition of DPW Equipment	93,555
		<u>\$ 273,600</u>

**CITY OF PASSAIC
STATEMENT OF GRANTS AND LOANS RECEIVABLE**

Ord. No.	<u>Grantor Agency</u>	<u>Balance June 30, 2012</u>	<u>Increased</u>	<u>Balance June 30, 2013</u>	<u>Balance Pledged to Improvement Authorizations</u>	<u>Reserve</u>
<u>Loans</u>						
1643-04	Green Acres Trust - Pulaski Park (RC Field)	\$ 250,000		\$ 250,000		\$ 250,000
1839-10	Green Acres Trust - Pulaski Park	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
	Total Loans	<u>750,000</u>	<u>-</u>	<u>750,000</u>	<u>-</u>	<u>750,000</u>
<u>Grants</u>						
1643-04	Green Acres Trust - Pulaski Park (RC Field)	\$ 250,000		250,000	\$ 250,000	
1839-10	Green Acres Trust - Pulaski Park	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
	Total Grants	<u>750,000</u>	<u>-</u>	<u>750,000</u>	<u>750,000</u>	<u>-</u>
	Grand Total	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ 750,000</u>	<u>\$ 750,000</u>

STATEMENT OF DUE FROM CURRENT FUND

Increased by:			
Payments to Current Fund			\$ 100,069
Decreased by:			
Receipts from Current Fund		\$ 100,000	
Interest Earned		<u>69</u>	
			<u>\$ 100,069</u>

CITY OF PASSAIC
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, June 30, 2012		\$ 17,389,422
Increased by:		
Refunding Serial Bonds Issued		7,315,000
		24,704,422
Decreased by:		
Payment of Bonds - Budget Appropriation	\$ 1,979,484	
Payment of Loans- Budget Appropriation	67,144	
Serial Bonds Refunded	7,320,000	
		9,366,628
Balance, June 30, 2013		\$ 15,337,794

EXHIBIT C-7

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. No.	Improvement Description	Balance, June 30, 2012	2013 Authorizations	Balance, June 30, 2013	Analysis of Balance June 30, 2013	
					Expended	Unexpended Improvement Authorizations
1036-88	Various Improvements	\$ 2,075		\$ 2,075	\$ 2,075	
1469-99	Broadway Viaduct	20		20		\$ 20
1643-04	Various Impts - Pulaski Park	250,000		250,000	250,000	
1769-08	Building Acquisitions / Imp.	581		581		581
1784-08	Various Improvements	82		82		82
1839-10	Improvements to Pulaski Park	500,000		500,000	487,450	12,550
1865-11	Acquisition of Ambulance	118,750		118,750	118,647	103
1868-11	Replacement of City's Telephone System	237,500		237,500	221,565	15,935
1917-12	Acquisition of a Fire Apparatus		\$ 166,250	166,250	163,800	2,450
1935-13	Various Capital Improvements	-	1,235,000	1,235,000	327,685	907,315
		\$ 1,109,008	\$ 1,401,250	\$ 2,510,258	\$ 1,571,222	\$ 939,036

**CITY OF PASSAIC
STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance (Deficit), June 30, 2012	\$ (4,751)
Increased by:	
Budget Appropriation	<u>100,000</u>
	95,249
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>73,750</u>
Balance, June 30, 2013	<u>\$ 21,499</u>

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, June 30, 2012	\$ 1,426,110
Increased by:	
Charges to Improvement Authorizations	<u>806,028</u>
	2,232,138
Decreased by:	
Payments	<u>1,198,859</u>
Balance, June 30, 2013	<u>\$ 1,033,279</u>

CITY OF PASSAIC
STATEMENT OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Balance, June 30, 2012		2013 Authorizations		Balance, June 30, 2013	
		Funded	Unfunded	Capital Improvement Fund	Deferred Charges Unfunded	Funded	Unfunded
1413-97	Various Improvements	\$ 83				\$ 83	
1418-97	Traffic Signal	45,937				45,937	
1451-98	Various Improvements	27,430				25,622	
1469-99	Improvements to Broadway Viaduct	15,995	\$ 20			15,995	\$ 20
1474-99	Improvements to Third Ward Park	9,673				9,673	
1493-00	Various Improvements	94,776					
1494-00	Removal of Underground Storage Tanks	4,935				4,935	
1508-01	Various Improvements	120,300				83,838	
1542-02 / 1784-08	Various Improvements	800,290	82			795,010	82
1557-02	Pension Refunding Bond	23,610					
1587-03	Various Improvements	203,071				200,360	
1623-04	Various Improvements	82,856				923	
1655-05	Various Improvements	166,851				150,010	
1675-05/1442-98	Various Park Improvements	23,767				47	
1697-06	Rail Property Easement	74,716				24,716	
1746-07	Acquisition of Vehicles and Equipment	149,627				12,699	
1769-08	Building Acquisition / Improvements	27,367				26,867	
1839-10	Improvements to Pulaski Park		581				581
1865-11	Acquisition of Ambulance		12,550				12,550
1868-11	Replacement of City's Telephone System		103				103
1917-12	Acquisition of a Fire Apparatus		16,100				15,935
1922-12	Acquisition of Property and Recreational Imprvts						2,450
1935-13	Various Capital Improvements					29,643	907,315
1944-13	Acquisition of DPW Equipment					93,555	
		\$ 1,871,284	\$ 29,436	\$ 73,750	\$ 1,401,250	\$ 1,421,665	\$ 939,036

Reappropriated	Expended	Cancelled
\$ -	\$ 991,409	\$ 23,610
	Cash Disbursements	
	Due to Grant Fund	
	Encumbrances Payable	
	\$ 171,790	
	13,591	
	806,028	
	\$ 991,409	
	Cancelled to Reserve for Debt Service	\$ 23,610

**CITY OF PASSAIC
STATEMENT OF BONDS PAYABLE**

<u>Purpose.</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding, June 30, 2013</u>	<u>Interest Rate</u>	<u>Balance, June 30, 2012</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, June 30, 2013</u>
General Obligation Bonds	7/15/1998	\$ 6,369,326			\$ 584,484	\$ 584,484		\$ 584,484
ERIP Pension Refunding Bonds	2/1/2003	7,800,000			4,500,000	4,500,000		4,500,000
General Obligation Bonds	5/1/2005	6,215,000			4,215,000	4,215,000		4,215,000
General Obligation Bonds	8/5/2010	7,249,000						
			8/1/2014	\$ 300,000	3.00%			
			8/1/2015	300,000	3.00%			
			8/1/2016	250,000	3.25%			
			8/1/2017	250,000	3.25%			
			8/1/2018	675,000	3.25%			
			8/1/2019	675,000	3.25%			
			8/1/2020	675,000	3.25%			
			8/1/2021	675,000	3.50%			
			8/1/2022	675,000	3.50%			
			8/1/2023	675,000	3.50%			
			8/1/2024	700,000	3.50%			
			8/1/2025	700,000	3.75%			
			8/1/2026	699,000	4.00%			
						7,249,000		\$ 7,249,000

**CITY OF PASSAIC
STATEMENT OF BONDS PAYABLE**

<u>Purpose.</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding, June 30, 2013</u>			<u>Interest Rate</u>	<u>Balance, June 30, 2012</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, June 30, 2013</u>
			<u>Date</u>	<u>Amount</u>	<u>Rate</u>					
ERIP Pension Refunding Bonds	5/2/2013	\$ 3,930,000	2/1/2014	870,000	1.430%					
			2/1/2015	925,000	1.630%					
			2/1/2016	1,020,000	1.882%					
			2/1/2017	1,115,000	2.146%	\$ 3,930,000			\$ 3,930,000	
General Obligation Refunding Bond	5/2/2013	3,385,000	5/1/2014	855,000	3.00%					
			5/1/2015	845,000	3.00%					
			5/1/2016	835,000	4.00%					
			5/1/2017	850,000	4.00%	3,385,000			3,385,000	
						\$ 16,548,484	\$ 7,315,000	\$ 9,299,484	\$ 14,564,000	
							\$ 7,315,000	\$ 7,320,000		
								1,979,484		
							\$ 7,315,000	\$ 9,299,484		
Analysis of Balance:										
									\$ 10,634,000	
									3,930,000	
									\$ 14,564,000	

**CITY OF PASSAIC
STATEMENT OF GREEN ACRES LOANS PAYABLE**

Balance, June 30, 2012	\$ 840,938
Decreased by:	
Paid by Budget Appropriation	67,144
Balance, June 30, 2013	\$ 773,794

<u>Ord.</u>	<u>Description</u>	
<u>No.</u>		
1442-98/1622-04/ 1675-05	Dundee Island Field Rehabilitation	\$ 217,352
1442-98/1474-99/ 1622-04/1675-05	Third Ward Park Improvements	365,584
1442-98/1474-99/ 1622-04/1675-05 1655-05	Hughes Lake Pulaski Park Renovation	174,008 16,850
		\$ 773,794

STATEMENT OF RESERVE FOR CURB AND SIDEWALK IMPROVEMENTS

Balance, June 30, 2012	\$ 5,000
Balance, June 30, 2013	\$ 5,000

**CITY OF PASSAIC
STATEMENT OF RESERVE FOR DEBT SERVICE**

Increased by:		
Cash Receipts	\$ 76,178	
Cancelled Improvement Authorization - Ordinance 1557-02	<u>23,610</u>	
		<u>\$ 99,788</u>
Balance, June 30, 2013		<u>\$ 99,788</u>

**CITY OF PASSAIC
STATEMENT OF DUE TO GRANT FUND**

Increased by:		
General Capital Expenditures Paid by Grant Fund	\$ 13,591	
Balance, June 30, 2013		<u>\$ 13,591</u>

**CITY OF PASSAIC
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

<u>Ord. No.</u>	<u>Description</u>	<u>Balance June 30, 2012</u>	<u>2013 Authorizations</u>	<u>Balance June 30, 2013</u>
1036-88	Various Improvements	\$ 2,075		\$ 2,075
1469-99	Broadway Viaduct	20		20
1643-04	Various Improvements - Pulaski Park (R.C. Field)	250,000		250,000
1769-08	Acquisition of Tractor Drawn Aerial & Equipment	581		581
1784-08	Various Improvements	82		82
1839-10	Improvements to Pulaski Park	500,000		500,000
1865-11	Acquisition of Ambulance	118,750		118,750
1868-11	Replacement of City's Telephone System	237,500		237,500
1917-12	Acquisition of a Fire Apparatus		\$ 166,250	166,250
1935-13	Various Capital Improvements	<u>-</u>	<u>1,235,000</u>	<u>1,235,000</u>
		<u>\$ 1,109,008</u>	<u>\$ 1,401,250</u>	<u>\$ 2,510,258</u>

SEWER UTILITY FUND

**CITY OF PASSAIC
STATEMENT OF SEWER UTILITY CASH**

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance, June 30, 2012	\$ 168,757	\$ 18,814
Increased by Receipts:		
Sewer Rents Received	\$ 5,122,451	
Other Accounts Receivable	115,561	
Due from Passaic Valley Water Commission	37,373	
Received from Other Trust Fund	1,200,000	
Received from Current Fund	<u>-</u>	<u>\$ 350,000</u>
	<u>6,475,385</u>	<u>350,000</u>
	6,644,142	368,814
Decreased by Disbursements:		
Budget Appropriations	4,748,762	
Appropriation Reserves	11,729	
Interest on Bonds and Notes	47,562	
Improvement Authorizations		272,009
Sewer Utility Capital Expenditures Paid by Sewer Operating Fund	78,795	
Payments made to Other Trust Fund	1,000,000	
Payments made to Current Fund	<u>515,952</u>	<u>-</u>
	<u>6,402,800</u>	<u>272,009</u>
Balance, June 30, 2013	<u>\$ 241,342</u>	<u>\$ 96,805</u>

EXHIBIT D-6

ANALYSIS OF SEWER CAPITAL CASH

	<u>Balance, June 30, 2013</u>
Fund Balance	\$ 1,010
Encumbrances Payable	23,288
Due to Sewer Utility Operating Fund	79,619
Due to Current Fund	450,000
Improvement Authorizations:	
<u>Ord. No.</u>	
1611-04 Various Sewer Improvements	(44,000)
1667-05 Various Sewer Improvements	11,384
1698-06 Various Sewer Improvements	11,405
1822-10 Various Sewer Improvements	12,217
1871-11 Various Sewer Improvements	(120,998)
1913-12 Various Sewer Improvements	<u>(327,120)</u>
Balance, June 30, 2013	<u>\$ 96,805</u>

**CITY OF PASSAIC
STATEMENT OF CONSUMERS' ACCOUNTS RECEIVABLE
SEWER UTILITY OPERATING FUND**

Balance, June 30, 2012		\$ 938,841
Increased by:		
Sewer Rents Levied - Net		<u>5,317,776</u>
		6,256,617
Decreased by:		
Sewer Rents Collected:		
Receipts from Passaic Valley Water Commission	\$ 5,122,451	
Due From Passaic Valley Water Commission	<u>35,807</u>	
		<u>5,158,258</u>
Balance, June 30, 2013		<u>\$ 1,098,359</u>

EXHIBIT D-8

**STATEMENT OF OTHER ACCOUNTS RECEIVABLE
SEWER UTILITY OPERATING FUND**

Balance, June 30, 2012		\$ 297,472
Increased by:		
St. Marys Sewer Rents Levied		<u>115,764</u>
		413,236
Decreased by:		
Cash Receipts		<u>115,561</u>
Balance, June 30, 2013		<u>\$ 297,675</u>

EXHIBIT D-9

**STATEMENT OF DUE FROM PASSAIC VALLEY WATER COMMISSION
SEWER UTILITY OPERATING FUND**

Balance, June 30, 2012		\$ 37,373
Increased by:		
Rents Due from SFY 2013		<u>35,807</u>
		73,180
Decreased by:		
Cash Receipts		<u>37,373</u>
Balance, June 30, 2013		<u>\$ 35,807</u>

**CITY OF PASSAIC
STATEMENT OF FIXED CAPITAL
SEWER UTILITY CAPITAL FUND**

	Balance, June 30, 2012	Balance, June 30, 2013
Sanitary Sewer System	\$ 4,899,460	\$ 4,899,460
Sewer Jet Cleaning Truck	185,000	185,000
T.V. Camera Truck	125,000	125,000
	\$ 5,209,460	\$ 5,209,460

EXHIBIT D-11

**STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
SEWER UTILITY CAPITAL FUND**

<u>Ordinance Number</u>	<u>Description</u>	Balance, June 30, 2012	Authorized in 2013	Balance, June 30, 2013
1611-04	Various Sewer Improvements			
1667-05	Various Sewer Improvements	\$ 11,384		\$ 11,384
1698-06	Various Sewer Improvements	11,613		11,613
1822-10	Various Sewer Improvements	12,217		12,217
1871-11	Various Sewer Improvements	280,000		280,000
1913-12	Various Sewer Improvements	-	\$ 400,000	400,000
		\$ 315,214	\$ 400,000	\$ 715,214

EXHIBIT D-12

**STATEMENT OF DUE TO CURRENT FUND
SEWER UTILITY OPERATING FUND**

Balance, June 30, 2012		\$ 83,875
Increased by:		
Lapse 2012 Appropriation Reserves	\$ 54,229	
Payments made by Current Fund for Sewer Utility Operating Fund Budget	432,078	486,307
		570,182
Decreased by:		
Anticipated Revenue - Deficit Current Fund Budget	13,765	
Payments to Current Fund	515,952	529,717
Balance, June 30, 2013		\$ 40,465

**CITY OF PASSAIC
STATEMENT OF DUE TO OTHER TRUST FUND
SEWER UTILITY OPERATING FUND**

Increased by:		
Receipts from Other Trust Fund	\$	1,200,000
Decreased by:		
Payments to Other Trust Fund		<u>1,000,000</u>
Balance, June 30, 2013	\$	<u>200,000</u>

**STATEMENT OF CAPITAL IMPROVEMENT FUND
SEWER UTILITY CAPITAL FUND**

Increased by:		
Due from Sewer Utility Operating Fund - Budget Appropriation	\$	20,000
Decreased by:		
Appropriated to Finance Improvement Authorization	\$	<u>20,000</u>

**STATEMENT OF DUE TO SEWER UTILITY OPERATING FUND
SEWER UTILITY CAPITAL FUND**

Balance, June 30, 2012	\$	20,824
Increased by:		
Sewer Utility Capital Fund Expenditures Paid by Sewer Utility Operating Fund		<u>78,795</u>
		99,619
Decreased by:		
Due from Sewer Utility Operating Fund - Capital Improvement Fund		<u>20,000</u>
Balance, June 30, 2013	\$	<u>79,619</u>

**CITY OF PASSAIC
STATEMENT OF ENCUMBRANCES PAYABLE
SEWER UTILITY OPERATING FUND**

Balance, June 30, 2012	\$	65,950
Increased by:		
Charges to Budget Appropriations		<u>7,500</u>
		73,450
Decreased by:		
Transferred to 2012 Appropriation Reserves		<u>65,950</u>
Balance, June 30, 2013	\$	<u>7,500</u>

**STATEMENT OF DUE TO CURRENT FUND
SEWER UTILITY CAPITAL FUND**

Balance, June 30, 2012	\$	100,000
Increased by:		
Cash Received from Current Fund		<u>350,000</u>
Balance, June 30, 2013	\$	<u>450,000</u>

**CITY OF PASSAIC
STATEMENT OF RESERVE FOR AMORTIZATION
SEWER UTILITY CAPITAL FUND**

Balance, June 30, 2012	\$ 3,610,944
Increased by:	
Paid by Operating Budget:	
Serial Bonds	384,516
Balance, June 30, 2013	\$ 3,995,460

**STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION
SEWER UTILITY CAPITAL FUND**

Balance, June 30, 2012	\$ 49,006
Increased by:	
Improvement Authorizations Funded by Capital Improvement Fund	20,000
Balance, June 30, 2013	\$ 69,006

Analysis of Balance - June 30, 2013

<u>Ord.</u>	<u>Description</u>	<u>Amount</u>
1667-05	Various Sewer Improvements	\$ 11,384
1698-06	Various Sewer Improvements	11,405
1822-10	Various Sewer Improvements	12,217
1871-11	Various Sewer Improvements	14,000
1913-12	Various Sewer Improvements	20,000
		\$ 69,006

**CITY OF PASSAIC
STATEMENT OF ACCRUED INTEREST ON BONDS
SEWER UTILITY OPERATING FUND**

Balance, June 30, 2012	\$	24,277
Increased by:		
Charges to Budget Appropriations		
Interest on Bonds		<u>39,303</u>
		63,580
Decreased by:		
Interest Paid		<u>47,562</u>
Balance, June 30, 2013	\$	<u>16,018</u>

**STATEMENT OF 2012 APPROPRIATION RESERVES
SEWER UTILITY OPERATING FUND**

	Balance June 30, <u>2012</u>	Balance After <u>Modifications</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
OPERATING				
Other Expenses		\$ 65,950	\$ 11,729	\$ 54,221
Sewer Maintenance Fee	<u>\$ 8</u>	<u>8</u>	<u>-</u>	<u>8</u>
	<u>\$ 8</u>	<u>\$ 65,958</u>	<u>\$ 11,729</u>	<u>\$ 54,229</u>
Encumbrances Payable		\$ 65,950		
2012 Appropriation Reserves		<u>8</u>		
		<u>\$ 65,958</u>		
Cash Disbursements			<u>\$ 11,729</u>	
Due to Current Fund				<u>\$ 54,229</u>

**CITY OF PASSAIC
STATEMENT OF SERIAL BONDS
SEWER UTILITY CAPITAL FUND**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding June 30, 2013</u>		<u>Interest Rate</u>	<u>Balance, June 30, 2012</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, June 30, 2013</u>
			<u>Date</u>	<u>Amount</u>					
General Bonds of 1998	7/15/1998	\$ 3,644,674				\$ 334,516	\$ 334,516		
Sewer Bonds of 2010	7/27/2010	1,266,000	8/1/2013	\$ 90,000	3.00%				
			8/1/2014	90,000	3.00%				
			8/1/2015	90,000	3.00%				
			8/1/2016	90,000	3.25%				
			8/1/2017	90,000	3.25%				
			8/1/2018	90,000	3.25%				
			8/1/2019	90,000	3.25%				
			8/1/2020	90,000	3.25%				
			8/1/2021	90,000	3.50%				
			8/1/2022	90,000	3.50%				
			8/1/2023	90,000	3.50%				
			8/1/2024	90,000	3.50%				
			8/1/2025	90,000	3.75%				
						1,220,000	-	50,000	1,170,000
						<u>\$ 1,554,516</u>	<u>\$ -</u>	<u>\$ 384,516</u>	<u>\$ 1,170,000</u>
								<u>\$ 384,516</u>	

Paid by Budget Appropriation

**CITY OF PASSAIC
STATEMENT OF ENCUMBRANCES PAYABLE
SEWER UTILITY CAPITAL FUND**

Increased by:	
Charges to Improvement Authorizations	\$ 23,288
Balance, June 30, 2013	<u>\$ 23,288</u>

**STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
SEWER UTILITY CAPITAL FUND**

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance, June 30, 2012</u>	<u>Authorized</u>	<u>Balance, June 30, 2013</u>
1611-04	Various Sewer Improvements	\$ 44,000		\$ 44,000
1698-06	Various Sewer Improvements	208		208
1871-11	Various Sewer Improvements	266,000		266,000
1913-12	Various Sewer Improvements	<u>-</u>	<u>\$ 380,000</u>	<u>380,000</u>
		<u>\$ 310,208</u>	<u>\$ 380,000</u>	<u>\$ 690,208</u>

CITY OF PASSAIC

PART II

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
City of Passaic
Passaic, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the City of Passaic, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2014. Our report on the financial statements – regulatory basis indicated that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited General Fixed Assets Account Group financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Passaic's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Passaic's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Passaic's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Passaic's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying schedule of findings and questioned costs as item 2013-001.

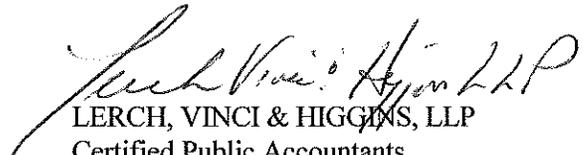
We also noted certain matters that we reported to management of the City of Passaic in Part III of this report of audit entitled; "Letter of Comments and Recommendations"

City of Passaic's Responses to Findings

The City of Passaic's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Passaic's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Passaic's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Passaic's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Dieter P. Lerch
Registered Municipal Accountant
RMA Number CS00398

Fair Lawn, New Jersey
February 6, 2014



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY U.S. OMB CIRCULAR A-133 AND
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY NEW JERSEY
OMB CIRCULAR 04-04**

INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and Members
of the Borough Council
City of Passaic
Passaic, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the City of Passaic’s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 04-04 State Aid/ Grant Compliance Supplement that could have a direct and material effect on each of City of Passaic’s major federal and state programs for the year ended June 30, 2013. The City of Passaic’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Passaic’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and Circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the City of Passaic’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City of Passaic's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the City of Passaic complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04 and which are described in the accompanying schedule of findings and questioned costs as items 2013-002 through 2013-004. Our opinion on each major federal and state program is not modified with respect to these matters.

The City of Passaic's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Passaic's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the City of Passaic is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Passaic's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Passaic's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-002 and 2013-004 to be material weaknesses.

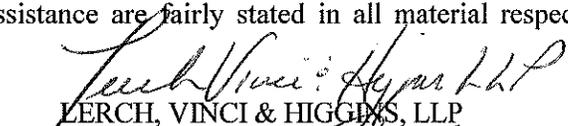
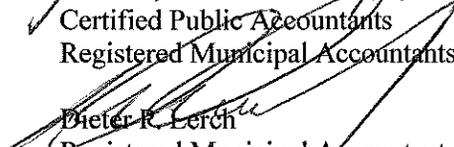
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-003 to be a significant deficiency.

The City of Passaic's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Passaic's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal Awards Required by OMB Circular A-133 and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 04-04

We have audited the financial statements - regulatory basis of the City of Passaic as of and for the year ended June 30, 2013, and the related notes to the financial statements and have issued our report thereon dated February 6, 2014, which contained a modified opinion on those financial statements because they were not prepared and presented in accordance with accounting principles generally accepted in the United States of America and also contained a modified opinion on those financial statements prepared and presented in accordance with the regulatory basis of accounting because of the unaudited General Fixed Assets Account Group financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by OMB Circular A-133 and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Dieter R. Lerch
Registered Municipal Accountant
RMA Number CS00398

Fair Lawn, New Jersey
February 6, 2014

CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grant Program	CFDA Number	State Asect Number	Grant Award Amount	Grant Receipts	Balance, June 30, 2012	Revenue Realized	Local Match	Program Income	Expenditures	(Cancelled)/ Adjustment	Balance, June 30, 2013	Cumulative Expended
U.S. Department of Health and Human Services												
Ryan White Title 1 - 2013	93.924	N/A	\$ 169,787	\$ 110,412	\$ 169,757	\$ 58,098			\$ 66,983		\$ 102,774	\$ 67,013
Ryan White Title 1 - 2013	93.924	N/A	58,098						3,713		54,385	3,713
Ryan White Title 1 - 2012	93.924	N/A	174,774		77,926				59,778		18,148	156,626
Ryan White Title 1 - 2012	93.924	N/A	27,315									27,315
Ryan White Title 1 - 2010	93.924	N/A	198,004									198,004
Ryan White Title 1 - 2009	93.924	N/A	197,528		68				68		100	197,528
Ryan White Title 1 - 2008	93.924	N/A	172,274		1,950				1,850			172,174
Department of Parks And Recreation Columbia Park/UPAR/Green Acres	15.919	N/A			3,721						3,721	
U.S. Department of Community Affairs - (Pass through State Department of Community Affairs - Housing Services) Neighborhood Preservation	14.000	022-8020-100-017-12	2,437,775	478,270	387,842				143,250	\$ (230,000)	14,592	2,193,183
U.S. Department of Health - (Pass through State Division of Family Health Services) Women, Infants, and Children-2013	10.557	046-4220-100-113-13	837,516	469,299		837,516			629,096		208,420	629,096
Women, Infants, and Children-2012	10.557	046-4220-100-113-12	779,507	339,661	161,640	30,766			192,346		60	779,447
National Cancer Prevention - Center for Disease Control	93.283	046-4230-100-434-13	2,407			2,407			2,407			2,407
U.S. Department of Agriculture - (Pass through State Division of Food and Nutrition) 13 Summer Food Program	10.559	010-3350-100-033-12	430,559			430,559			1,285		429,274	1,285
12 Summer Food Program	10.559	010-3350-100-033-12	404,678	216,924	403,000				165,251	(187,754)	49,995	166,929
11 Summer Food Program	10.559	010-3350-100-033-11	458,147		2,055				367		1,688	456,459
10 Summer Food Program	10.559	010-3350-100-033-10	287,527		10,489						10,489	277,038
09 Summer Food Program	10.559	010-3350-100-033-09	369,547		11,957						11,957	357,590
U.S. Department of Justice Neighborhood Crime Prevention	16.710	N/A	54,104	40,578	168				102		66	54,038
Neighborhood Crime Prevention	16.710	N/A	40,578	40,578	36,573				36,573			40,578
Neighborhood Crime Prevention	16.710	N/A	33,274			33,274					33,274	
Pass through Dept of Law and Public Safety-Division of Criminal Justice:												
Byrne Memorial Justice Asst. 2013	16.738	066-1020-100-364-13	232,746			232,746					232,746	
Byrne Memorial Justice Asst. 2011	16.738	066-1020-100-364-11	284,032	24,609	284,032				92,079		191,953	92,079
Byrne Memorial Justice Asst. 2010	16.738	066-1020-100-364-10	362,938	161,312	208,892				163,534		43,358	317,580
Byrne Memorial Justice Asst. 2009	16.738	066-1020-100-364-09	378,650	31,576	68,919				68,890		29	378,621
Byrne Memorial Justice Asst. 2008	16.738	066-1020-100-364-08	1,622,388		5,228				5,228			1,622,388
Byrne Memorial Justice Asst. 2006	16.738	066-1020-100-364-06	355,820		377						377	355,443

CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grant Program	CFDA Number	State Acct Number	Grant Award Amount	Grant Receipts	Balance, June 30, 2012	Revenue Realized	Local Match	Program Income	Expenditures	(Cancelled)/ Adjustment	Balance, June 30, 2013	Cumulative Expended
U.S. Department of Homeland Security (Passed through State Department of Law and Public Safety)												
FEMA - Emergency Management	97.000	066-1200-100-xxx	\$ 86,789	\$ 24,851	\$ 28,851				\$ 1		\$ 86,789	
FEMA - Assistance to Fire Fighters	97.044	066-1200-100-xxx	12,570	10,056		10,056	2,514		28,851		12,570	86,789
FEMA - Assistance to Fire Fighters	97.044	066-1200-100-xxx	84,085	84,805					12,570		84,085	12,570
FEMA - Public Assistance Grants - Hurricane Irene	97.036	066-1200-100-A70	158,389	158,389		158,389			84,085		158,389	84,085
FEMA - Public Assistance Grants - Severe Snowstorm	97.036	066-1200-100-A77	357,931	357,931		357,931			158,389		357,931	158,389
FEMA - Public Assistance Grants - Hurricane Sandy	97.036	066-1200-100-A92	1,530,304	497,564	1,530,304				357,931		841,698	357,931
Fire Safer Program	97.000	N/A							688,606			688,606
U.S. Department of Transportation - (Pass through State Dept of Transportation - Local Municipal Aid)												
Highway Planning and Construction Program	20.205											
Transportation Trust - 8th Street		078-6320-480-XXXX-XX	309,160		309,614	309,160					309,160	
Transportation Trust - St. Francis, Monroe, Blaine		078-6320-480-XXXX-XX	300,614		285,500				(45)	(28,041)	272,618	
Transportation Trust - Quincy/Allen		078-6320-480-XXXX-XX	325,850	107,866					275,932		9,568	275,932
Transportation Trust - Quincy/Sherman		078-6320-480-AKNI/AKS	75,000		75,000							325,850
Transportation Trust - Howe/Parker Ave., Holdsworth		078-6320-480-XXXX-XX	260,500		61,555					(75,000)	61,555	198,945
Transportation Trust - Howel/Lincoln/St. Francis		078-6320-480-XXXX-XX										
U.S. Department of Justice - (Pass through Dept of Law and Public Safety - Division of Highway Traffic Safety)												
Drunk Driver Prevention (Drive Sober)	20.601	066-1160-100-057-XX	9,400		2,000						2,000	7,400
Click It or Ticket - Seat Belt Campaign	20.609	066-1160-100-146-XX	4,000		500					(500)		4,000
Click It or Ticket - Seat Belt Campaign	20.609	066-1160-100-146-XX	4,000	2,550	100					(100)		4,000
Click It or Ticket - Seat Belt Campaign	20.609	066-1160-100-146-XX	4,000			4,000			4,000			4,000
Drunk Driver Prevention (Drive Sober)	20.601	066-1160-100-057-12	5,000		50					(50)		5,000
Drunk Driver Prevention (Drive Sober)	20.601	066-1160-100-057-13	4,400	4,400		4,400			4,400		300	4,400
Pedestrian Safety Grant	20.609	066-1160-100-146-XX	17,000		300						510	16,700
Pedestrian Safety Grant	20.609	066-1160-100-146-XX	18,000		510						1,227	17,490
Booster Seat Enforcement Grant	20.613	N/A	20,000		1,227						1,227	18,773
U.S. Department of Energy Energy Efficiency & Conserv. Bl. Grant	81.128	N/A	613,800		290,794				93,733		197,061	416,759
U.S. Department of Housing and Urban Development												
CDBG Entitlement Grants	14.218	N/A	1,308,497	1,678,310	1,914,359	1,308,497	71,566		1,734,484	(8,490)	1,551,448	8,761,708
Relocation Assistance Program	14.000	N/A			4,890						4,890	
Urban Development Action Grant	14.239	N/A	610,583	416,270	8,122						8,122	
Home Investment Partnership Program	14.239	N/A			386,365	610,583			415,536	(28,367)	553,102	4,864,155
								\$ 57				
					\$ 6,725,636	\$ 4,472,467	\$ 74,080	\$ 57	\$ 5,491,273	\$ (538,302)	\$ 5,222,665	

N/A - Not Applicable

CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grant Program	Account Numbers	Grant Year	Grant Award	Grant Receipts	Balance, June 30, 2012	Revenue Realized	Local Match	Expended	Adjustments	Balance, June 30, 2013	Cumulative Expended
Department of Community Affairs											
Clean Communities Grant	042-4900-765-004-12	2013	\$ 69,402	\$ 69,402	\$ 59,112	\$ 69,402		\$ 58,808		\$ 69,402	
Clean Communities Grant	042-4900-765-004-12	2012	59,112		87			87		304	\$ 59,949
Clean Communities Grant	042-4900-765-004-11	2011	60,036		497			130		367	63,560
Clean Communities Grant	042-4900-765-004-10	2010	63,927		149,440					149,440	382,160
Lead Intervention	N/A	2004	531,600		5,111			4,729		382	158,868
Lead Intervention	N/A	2011	159,250		7,500			7,500			
Recreation Opportunity	022-8050-100-035-12	2012	7,500	7,500	1,723			326		1,397	1,603
Domestic Violence Training Program	N/A	2006	3,000							38,433	62,432
Recycling Tonnage	042-4900-752-001-13	2013	100,865	100,865	62,818	100,865		62,432		28,659	68,859
Recycling Tonnage	042-4900-752-001-12	2012	97,518		388			388		19,400	87,129
Recycling Tonnage	042-4900-752-001-10	2010	87,129								
Summer Employment	N/A	2013	19,400			19,400					
Summer Employment	N/A	2012	19,400	19,355	859			19,355		45	36,359
Summer Employment	N/A	2010	36,359					859			
Department of Health											
Public Health Priority Funding	4220-150-021030-60	2010	31,096		3,645			1,507		2,138	28,958
Alcohol Education and Rehabilitation	N/A	2012	11,440		3,140	11,440		550		6,040	5,400
Alcohol Education and Rehabilitation	N/A	2011	10,140							2,590	7,550
Childhood Lead Poisoning Prevention	13-348-CHS-L-0	2013	159,250	111,535	4,432	159,250		150,780		8,470	150,780
Childhood Lead Poisoning Prevention	12-348-CHS-L-0	2012	159,250	43,262	71			4,432		71	159,250
Childhood Lead Poisoning Prevention	10-348-CHS-L-0	2010	168,000								167,929
Passed Thru County of Passaic											
Municipal Alliance	N/A	2013	49,611	7,604		39,689	\$ 9,922	20,019		29,592	20,019
Municipal Alliance	N/A	2012	41,903	41,868	28,377			28,342		35	41,868
Municipal Alliance	N/A	2011	52,048		2,510			1,939		571	51,477
Municipal Alliance	N/A	2010	55,800		18					18	55,782
Municipal Alliance	N/A	2009	55,800		297					297	55,503
Municipal Alliance	N/A	2008	46,300		195					195	46,105
Municipal Alliance	N/A	2007	46,300		13					13	46,287
Municipal Alliance	N/A	2006	46,300		5					5	46,295
Sr. Citizen & Disabled Resident Transport	N/A	2013	15,420	15,420		15,420		15,420		15,420	15,420
Sr. Citizen & Disabled Resident Transport	N/A	2013	44,982	44,982	4,922	44,982		44,982		613	44,982
Cancer Control and Prevention Grant	09-32-CCC-L-1	2008	65,000		91			4,309		64,387	65,000
Cancer Assessment - 2010	10-32-CCC-L-1	2010	65,000		1,480			91		17	64,983
Cancer Assessment - 2011	11-32-CCC-L-1	2011	65,000		18,269			1,463		530	51,877
Cancer Assessment - 2012	12-32-CCC-L-1	2012	52,407	15,671				17,739		36,675	1,625
Cancer Assessment - 2013	13-32-CCC-L-1	2013	38,300			38,300		1,625		1,100	1,625
Multi Cultural	N/A	2012	1,100	550						650	1,350
Multi Cultural	N/A	2009	2,000								

CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grant Program	Account Numbers	Grant Year	Grant Award	Grant Receipts	Balance, June 30, 2012	Revenue Realized	Local Match	Expended	Adjustments	Balance, June 30, 2013	Cumulative Expended
Department of Law and Public Safety											
Drunk Driving Enforcement	1110-448-031020-22	2011	\$ 46,382	\$ 46,382	\$	\$ 46,382		\$ 19,282		\$ 27,100	\$ 19,282
Drunk Driving Enforcement	1110-448-031020-22	2010	30,644		7,975			7,975			30,644
Drunk Driving Enforcement	1110-448-031020-22	2009	21,727		2,344			2,344			21,727
Drunk Driving Enforcement	1110-448-031020-22	2008	24,507		549			549			24,507
Drunk Driving Enforcement	1110-448-031020-22	2007	32,323		168			168			32,323
Body Armor Replacement	066-1020-718-001-11	2012	13,022	13,022		13,022				13,022	
Body Armor Replacement	066-1020-718-001-11	2011	14,389		15,165	14,389				14,389	
Body Armor Replacement	066-1020-718-001-11	2011	15,165		15,165					15,165	
Body Armor Replacement	066-1020-718-001-11	2010	5,139		5,139					5,139	
Body Armor Replacement	066-1020-718-001-10	2009	18,754		16,722					16,722	
Local Law Enforcement BI Grant	N/A	2011	250,000	246,204	82,119			19,990		62,129	187,871
Advanced Traffic Grant	N/A	2011	119,600		114,506			3,561		110,945	8,655
Department of Law and Public Safety											
Safe and Secure	066-1020-100-232-12	2012	90,000	90,000	90,000	90,000		90,000		45,000	90,000
Safe and Secure	066-1020-100-232-13	2013	90,000			90,000		45,000		45,000	45,000
Juvenile Act. Incentive Block Grant	JAI16G-16-01-02	2013	20,328	20,328		20,328		6,880		13,448	6,880
Juvenile Act. Incentive Block Grant	JAI16G-16-01-02	2012	20,328		1,044			1,030		14	20,314
Juvenile Act. Incentive Block Grant	JAI16G-16-01-02	2011	35,328			35,328		22,574		12,754	22,574
Juvenile Act. Incentive Block Grant	JAI16G-16-01-02	2010	32,000		100			100		100	31,900
Walk Safe Passaic	066-1160-100-131-12	2012	16,000	9,165	10,600			3,415		7,185	8,815
Department of Commerce and Economic Development											
Urban Enterprise Zone Assistance Fund (UEZ)	2830-763-250-XXX-50										
13 - Graffiti Eradication	UEZA	2013	83,619			83,619		85,421		133,424	85,421
13 - Clean Sweep	UEZA	2013	218,845			218,845		50,957		16,043	50,957
13 - Administration - Salaries and Wages	UEZA	2013	67,000			67,000		66,874		161,426	66,874
13 - Administration - Commodities	UEZA	2013	228,300			228,300		66,874		79,180	20,820
12 - Panatose Study	UEZA	2012	100,000		79,180			399		193,260	6,740
12 - Signage Improvement	UEZA	2012	200,000		193,659			74,202		8,974	91,026
12 - Graffiti Eradication	UEZA	2012	100,000		83,176			139,380		5,120	220,000
12 - Clean Sweep	UEZA	2012	220,000		139,380			7,085		988,185	200,000
12 - Security Patrol	UEZA	2012	102,000		12,205			87,911		11,815	11,815
12 - Administration	UEZA	2012	200,000		998,185			10,000		28,597	47,403
12 - Revolving Loan	UEZA	2012	1,000,000		30,083			1,486		32,898	112,785
11 - Marketing	UEZA	2011	76,000								
11 - Graffiti Eradication	UEZA	2011	145,683								

CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grant Program	Account Numbers	Grant Year	Grant Award	Grant Receipts	Balance, June 30, 2012	Revenue Realized	Local Match	Expended	Adjustments	Balance, June 30, 2013	Cumulative Expended
Department of Commerce and Economic Development											
Urban Enterprise Zone (UEZ) (Continued)											
11 - Security Patrol	UEZA	2011	\$ 597,633		\$ 38,790					\$ 38,790	\$ 558,843
11 - Administration	UEZA	2011	315,000		1					1	314,999
10 - Administration	UEZA	2010	477,577		1,059					1,059	476,518
08 - Landscape Maintenance Phase I	UEZA	2008	48,110		13,621			\$ 3,798		9,823	38,287
Other State Departments											
Tobacco Prevention	N/A	2009	5,940		3,632			1,589		2,043	3,897
Tobacco Prevention	N/A	2008	5,100		51					51	5,049
Tobacco Control Grant	N/A	2004	11,040		18					18	11,022
Hepatitis B Inoculation	046-4230-100-241-13	2013	700	\$ 700	4,575	\$ 700		4,575		700	
Hepatitis B Inoculation	046-4230-100-241-12	2012	4,575								
Hepatitis B Inoculation	046-4230-100-241-08	2008	5,000		9					9	4,991
Emergency Telecommunication	2034-100-082-SBE7-050-UOAB-6120	2008	579,761		6,961			3,073		3,888	575,873
Emergency Telecommunication	2034-100-082-SBE7-050-UOAB-6120	2007	68,000		2,829					2,829	65,171
Housing Opportunity Grant	N/A	2013	100,000			100,000		26,385		73,615	26,385
Housing Opportunity Grant	N/A	2012	142,000		73,456			49,649		23,807	118,193
Emergency Preparedness Grant	N/A	2011	10,000		6					6	9,994
Baseball Tomorrow	N/A	2012	95,597		95,597			93,449		2,148	93,449
Department of Environmental Protection											
Green Trust Grant - Christopher Columbus	4800-533-852000-60	2012	900,000		900,000					900,000	487,450
Green Trust Grant Program (Ord. 1839-10)-Pulaski Pt	4800-533-852000-60	N/A	500,000		12,550					12,550	76,233
Green Trust Loan Program (Ord. 1675-05)-Dundee Is	4800-533-851000-60	N/A	100,000		23,767					23,767	
					\$ 3,556,180	\$ 1,416,661	\$ 9,922	\$ 1,416,285	\$ -	\$ 3,566,478	

N/A - Not Available

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

**CITY OF PASSAIC
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2013**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the City of Passaic. The City is defined in Note 1(A) to the City's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the regulatory basis of accounting as prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the City's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the City's financial statements. Financial assistance revenues are reported in the City's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 2,553,387	\$ 1,416,661	\$ 3,970,048
Community Development Grant Fund	1,308,497		1,308,497
Home Loan Program Fund	<u>610,583</u>	<u>-</u>	<u>610,583</u>
	<u>\$ 4,472,467</u>	<u>\$ 1,416,661</u>	<u>\$ 5,889,128</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the City's fiscal year and grant program year.

**CITY OF PASSAIC
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2013**

NOTE 5 FEDERAL AND STATE LOANS OUTSTANDING

The City's federal and state loans outstanding at June 30, 2013, which are not required to be reported on the schedules of expenditures of federal awards and state financial assistance, are as follows:

<u>Loan Program</u>	<u>State</u>
N.J. Dept. of Environmental Protection	
Green Acres Loans	
Dundee Island	\$ 217,352
Third Ward Park Improvements	365,584
Hughes Lake Rehabilitation	174,008
Pulaski Park Renovation	<u>16,850</u>
	<u>\$ 773,794</u>

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Part I – Summary of Auditor’s Results

Financial Statement Section

- A) Type of auditors' report issued: Modified - Unaudited Fixed Assets
- B) Internal control over financial reporting:
- 1) Material weakness(es) identified? X yes no
- 2) Were significant deficiencies identified that were not considered to be material weaknesses? yes X none reported
- C) Noncompliance material to basic financial statements noted? X yes no

Federal Awards Section

- D) Dollar threshold used to determine Type A programs: \$300,000
- E) Auditee qualified as low-risk auditee? yes X no
- F) Type of auditors' report on compliance for major programs: Unmodified
- G) Internal Control over compliance:
- 1) Material weakness(es) identified? X yes no
- 2) Were significant deficiencies identified that were not considered to be material weaknesses? X yes none reported
- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section.510(a))? X yes no

D) Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.557</u>	<u>Woman, Infants and Children</u>
<u>14.218</u>	<u>Community Development Block Grants</u>
<u>14.239</u>	<u>Home Investment Partnership Program</u>
<u>16.738</u>	<u>Byrne Memorial Justice Asst.</u>
<u>97.000</u>	<u>SAFER Grant Program</u>
<u>97.036</u>	<u>FEMA-Public Assistance Grants</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Part I – Summary of Auditor’s Results

State Awards Section

- J) Dollar threshold used to determine Type A programs: \$ 300,000
- K) Auditee qualified as low-risk auditee? yes X no
- L) Type of auditors' report on compliance for major programs: Unmodified
- M) Internal Control over compliance:
- 1) Material weakness(es) identified? X yes no
- 2) Were significant deficiencies identified that were
 not considered to be material weaknesses? yes X none reported
- N) Any audit findings disclosed that are required to be reported
 in accordance with N.J. OMB Circular 04-04, as amended? X yes no
- O) Identification of major programs:

GMIS Number(s)	Name of State Program
2830-763-250XXX-50	Dept. of Commerce & Economic Develop.
	Urban Enterprise Zone Ass't Fund.
348-CHS-L-O	Childhood Lead Poisoning Prevention
066-1020-100-232	Safe and Secure Grant

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Paragraph 5.18-5.20 of *Government Auditing Standards*.

Finding 2013-001

Our audit revealed that the City did not maintain current accounting records of the General Fixed Assets Account Group.

Criteria or specific requirement:

NJ Administrative Code requires the maintenance of fixed assets accounting records.

Condition:

Fixed assets accounting records have not been updated since 1991.

Context:

Fixed asset records are not currently maintained in accordance with NJAC. Balances reported for fixed assets was \$91,441,474 at June 30, 2013.

Effect:

The auditors' report on the June 30, 2013 financial statements is modified with respect to the General Fixed Assets Account Group.

Cause:

See condition.

Recommendation:

The City maintain a fixed assets accounting and reporting system in accordance with NJ Administrative Code.

Views of Responsible Officials and Planned Corrective Action Plan:

Management has reviewed this finding and will evaluate whether funds will be appropriated to pay the cost for the hiring of an asset valuation company.

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04, as amended.

CURRENT YEAR FEDERAL AWARDS

Finding 2013-002

The audit revealed that the City did not maintain current accounting records of the General Fixed Assets Account Group.

Federal program information:

14.218 - Community Development Block Grant -- Entitlement Programs
14.239 - HOME Investment Partnership Program
16.738 -- Byrne Memorial Justice Assistance Grant

Criteria or specific requirement:

Federal Grant Compliance Supplement

Condition:

See Finding 2013-001.

Questioned Costs:

Unknown.

Context:

See Finding 2013-001.

Effect:

Noncompliance with federal grant compliance requirements.

Cause:

See Finding 2013-001.

Recommendation:

See Finding 2013-001.

Views of Responsible Officials and Planned Corrective Action Plan:

See Finding 2013-001.

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04, as amended.

CURRENT YEAR FEDERAL AWARDS

Finding 2013-003

Our audit of the Community Development Block Grant, HOME Investment Partnership Program and Byrne Memorial Justice Assistance Grant revealed that monitoring of subgrantees were not in compliance with program requirements.

Federal program information:

14.218 - Community Development Block Grant – Entitlement Programs

14.239 - HOME Investment Partnership Program

16.738 – Byrne Memorial Justice Assistance Grant

Criteria or specific requirement:

Federal Grant Compliance Supplement

Condition:

The City does not maintain policies and procedures for monitoring funds awarded to subgrantees.

Questioned Costs:

Unknown.

Context:

Grant amounts awarded to subrecipients were not always monitored by city personnel for compliance with program requirements.

Effect:

Subrecipients may not be in compliance with program requirements.

Cause:

Unknown.

Recommendation:

Policies and procedures be implemented for the monitoring of subgrantees to ensure compliance with the terms and conditions of the grant programs.

Views of Responsible Officials and Planned Corrective Action Plan:

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04, as amended.

CURRENT YEAR STATE AWARDS

Finding 2013-004

Our audit revealed the City did not maintain current accounting records of the General Fixed Assets Account Group.

State program information:

Dept. of Commerce and Economic Development (UEZA) – Urban Enterprise Zone Assistance

Criteria or specific requirement:

State Grant Compliance Supplement.

Condition:

See Finding 2013-001.

Questioned Costs:

Unknown.

Context:

See Finding 2013-001.

Effect:

Noncompliance with state grant compliance requirements.

Cause:

See Finding 2013-001.

Recommendation:

See Finding 2013-001.

Views of Responsible Officials and Planned Corrective Action Plan:

See Finding 2013-001.

**CITY OF PASSAIC
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

This section identifies the status of prior-year findings related to the financial statements and federal and state awards that are required to be reported in accordance with Paragraph 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

FINDING 2012-1, 2012-2 and 2012-4

Our audit revealed that the City did not maintain current accounting records of the General Fixed Assets Account Group.

Current Status

See Finding 2013-001, 2013-002 and 2013-004

FINDING 2012-3

The Consolidated Annual Performance and Evaluation Report (CAPER) for Program Year 2012 was not in agreement with the budgetary records maintained by the City Treasurer's office.

Current Status

Corrective action was taken.

CITY OF PASSAIC

PART III

SUPPORTING DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

FISCAL YEAR ENDED JUNE 30, 2013

**CITY OF PASSAIC
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
CURRENT FUND**

	Fiscal Year 2013			Fiscal Year 2012	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 1,330,000	1.07 %		\$ 1,692,500	1.32 %
Miscellaneous - From Other Than Local					
Property Tax Levies	26,232,684	21.12		31,621,078	24.67
Collection of Delinquent Taxes and Tax Title Liens	109,382	0.09		294,256	0.23
Collection of Current Tax Levy	95,723,203	77.17		93,183,974	72.90
Other Credits to Income	<u>622,745</u>	<u>0.55</u>		<u>1,129,649</u>	<u>0.88</u>
 Total Income	 <u>124,018,014</u>	 <u>100.00</u> %		 <u>127,921,457</u>	 <u>100.00</u> %
 EXPENDITURES					
Budget Expenditures					
Municipal Purposes	84,028,022	68.27 %		89,752,127	70.65 %
County Taxes	21,529,901	17.49		19,967,078	15.72
Local School Taxes	16,998,497	13.81		17,130,406	13.48
Other Expenditures	<u>531,684</u>	<u>0.43</u>		<u>183,875</u>	<u>0.15</u>
 Total Expenditures	 <u>123,088,104</u>	 <u>100.00</u> %		 <u>127,033,486</u>	 <u>100.00</u> %
 Excess in Revenue	 929,910			 887,971	
 Adjustments to Income Before Fund Balance:					
Expenditures Included Above Which are by Statute Deferred to Budget of Succeeding Year	 <u>713,655</u>			 <u>1,540,000</u>	
 Statutory Excess to Fund Balance	 1,643,565			 2,427,971	
 Fund Balance, Beginning of Year	 <u>2,507,688</u>			 <u>1,772,217</u>	
	4,151,253			4,200,188	
Decreased by:					
Utilization as Anticipated Revenue	<u>1,330,000</u>			<u>1,692,500</u>	
 Fund Balance, End of Year	 <u>\$ 2,821,253</u>			 <u>\$ 2,507,688</u>	

**CITY OF PASSAIC
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
SEWER UTILITY OPERATING FUND**

	<u>Fiscal</u> <u>Year 2013</u>			<u>Fiscal</u> <u>Year 2012</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Collection of Sewer Rents	\$ 5,273,819	100.00	%	\$ 5,557,405	99.61
Other Credits to Income	<u>-</u>	<u>-</u>		<u>21,610</u>	<u>0.39</u>
 Total Income	 <u>5,273,819</u>	 <u>100.00</u>	 %	 <u>5,579,015</u>	 <u>100.00</u>
EXPENDITURES					
Budget Expenditures					
Operating	4,843,765	91.61	%	5,001,619	88.64
Capital Improvements	20,000	0.38			
Debt Service	423,819	8.02		423,618	7.51
Deferred Charges	<u>-</u>	<u>-</u>		<u>217,364</u>	<u>3.85</u>
 Total Expenditures	 <u>5,287,584</u>	 <u>100.00</u>	 %	 <u>5,642,601</u>	 <u>100.00</u>
 Deficit in Revenues	 (13,765)			 (63,586)	
Adjustments to Income Before Fund Balance					
Realized from Current Fund Budget for Anticipated Deficit	<u>13,765</u>			<u>63,586</u>	
 Statutory Excess to Fund Balance	 <u>\$ -</u>			 <u>\$ -</u>	
 Fund Balance, Beginning of Year	 <u>\$ 52,844</u>			 <u>\$ 52,844</u>	
 Fund Balance, End of Year	 <u>\$ 52,844</u>			 <u>\$ 52,844</u>	

**CITY OF PASSAIC
COMPARATIVE SCHEDULE OF TAX RATE INFORMATION – CALENDAR YEAR**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Tax Rate</u>	<u>\$7.313</u>	<u>\$7.107</u>	<u>\$6.891</u>

Apportionment of Tax Rate

Municipal	\$4.387	\$4.275	\$4.140
County	1.654	1.562	1.481
Local School	1.272	1.270	1.270

Assessed Valuation

2013	<u>\$ 1,335,819,500</u>		
2012		<u>\$1,343,561,300</u>	
2011			<u>\$1,348,200,900</u>

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Fiscal Year Ended</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
June 30, 2013	\$ 96,822,459	\$ 96,223,203	99.38%
June 30, 2012	95,380,268	94,433,974	99.01%
June 30, 2011	93,753,500	93,305,057	99.52%

DELINQUENT TAXES AND TAX TITLE LIENS

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2013	\$ 270,124	\$ 158,824	\$ 428,948	0.44%
2012	199,773	59,302	259,075	0.27%
2011	170,534	43,901	214,435	0.23%

**CITY OF PASSAIC
PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION**

The value of property acquired by liquidation of tax title liens on June 30, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ -0-
2012	-0-
2011	-0-

COMPARISON OF SEWER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Cash Collections(A)</u>	<u>Percentage of Collection</u>
2013	\$ 5,433,540	\$ 5,273,819	97.06%
2012	6,156,464	5,557,405	90.27%
2011	4,678,410	4,891,912	104.56%

(A) Includes collection of prior year receivable balance.

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Year</u>	<u>Balance, June 30</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2013	\$2,821,253	\$1,330,000
	2012	2,507,688	1,330,000
	2011	1,772,217	1,692,500
	2010	3,754,814	3,000,000
	2009	3,607,834	3,000,000
Sewer Utility	2013	52,844	-
	2012	52,844	-
	2011	52,844	-
	2010	52,844	-
	2009	52,844	-

**CITY OF PASSAIC
OFFICIALS IN OFFICE AND SURETY BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Or Personal Surety</u>
Dr. Alex D. Blanco	Mayor		
Gary S. Schaer	Council President		
Jose R. Garcia	Councilman		
Thania Melo	Councilman		
Terrence L. Love	Councilman		
Chaim M. Munk	Councilman		
Zaida Polanco	Councilwoman		
Daniel J. Schwartz	Councilman		
Ricardo Fernandez	Business Administrator		
Jose Agosto	Director of Finance		
Tom Poalillo	Tax Assessor		
Amada Curling	City Clerk		
Doris Dudek	Purchasing Agent		
Carrie Malak	Tax Collector	\$300,000	Travelers Casualty and Surety Company
Ronald Van Rensalier	Director of Community Development		
Florio & Kenny LLP	City Attorney		
Theodore Evans	Director of Public Works		
John Biegel	Health Officer		
Guenda Beshin	Registrar of Vital Statistics		
Richard Diaz	Police Chief		
Patrick Trentacost	Fire Chief		
Denise Bradshaw	Municipal Court Administrator	(A)	
Karen Brown	Chief Municipal Judge	(A)	
Debbie Klugler-Irwin	Municipal Judge	(A)	
Xavier Rodriquez	Municipal Judge		

(A) All Municipal Court personnel are covered by a \$300,000 policy of Fidelity and Deposit Company Policy Number 6037395.

All other City employees are covered by a \$250,000 policy of Zurich American Ins. Co.

**CITY OF PASSAIC
GENERAL COMMENTS**

Prior Year Comments - Unresolved

Our audit of the Municipal Court revealed the following:

- Approximately 1,896 tickets assigned which were outstanding over six months and not recalled.
- Approximately 722 tickets issued and not assigned at year-end.

It is recommended that with respect to the Municipal Court:

- All outstanding tickets over six months be recalled and reassigned.
- All tickets be assigned in the ATS system prior to their issuance.

Current Year Comments

Our audit of payroll revealed that health benefit contributions were recalculated on March 1st as opposed to the anniversary date of January 1, 2013. It is recommended that employee contributions toward health benefits be recalculated as of the anniversary date in accordance with Chapter 78 of the Public Laws of 2011.

Our audit of the Recreation Department revealed the following:

- All fees collected were not deposited into the Current Fund bank account. A portion was deposited to the recreation trust donation account.
- Payment vouchers are not always utilized for disbursements to sports officials.
- Receipt of goods signature were not obtained on all payment vouchers to ensure services were rendered.
- Several checks were made payable to "cash". In addition, only one authorized signature is obtained for all checks disbursed from the recreation sports officials bank account.

It is recommended that internal controls over Recreation Department revenue collection and payment procedures to reviewed and enhanced.

Our audit of the sewer billings revealed one customer was not included in the Passaic Valley Water Commission's billing cycle. This appears to be an isolated instance and is under review by management therefore no recommendation is warranted.

Contracts and Agreements Required to be Advertised for NJS 40A:11-4

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the Governing Body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$21,000, except by contract or agreement."

The Governing Body of the City has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the City Counsel's opinion should be sought before a commitment is made.

**CITY OF PASSAIC
GENERAL COMMENTS**

Contracts and Agreements Required to be Advertised for NJS 40A:11-4 (Continued)

The minutes indicate that bids were requested by public advertising for the following items:

Reconstruction of Police Parking Lot	
Reconstruction of Basketball Court/Handball Court at Third Ward Park	
Playground Equipment/Fitness Equipment at Schevchenko Park and Veterans Memorial Park	
Installation of Playground Equipment at Johnson Park and Columbus Park	
Playground at Boys/Girls Club	Fencing Repairs at Johnson Park
Acquisition of Broom Street Sweepers	Reconstruction of Blain and Allen Street
Improvement to Boys/Girls Club	Columbus Park Improvements
Custodial Supplies	Summer Food Program
Medical Supplies	Resurfacing and Curb/Sidewalks
Construction of Skate Park	Recreation Equipment
Snow Plowing Removal	Acquisition of Fire Pumper
Reconstruction of St. Francis Way	Improvements to bathrooms at Third Ward Park
Office Supplies	Reconstruction of Police Parking Lot
New HVAC System at Boys/Girls Club	

The minutes indicate that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Our examination of expenditures did not reveal any payments, contracts or agreements in excess of \$21,000 "for the performance of any work or the furnishing or hiring of any materials or supplies," for which bids had not been previously sought by public advertisement or where a resolution had not been previously adopted under the provisions of N.J.S.A. 40A:11-6.

Collection of Interest of Delinquent Taxes and Assessments

R.S. 54:4-67 provides the method for authorizing interest and the maximum rate to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

The Governing Body on March 6, 1984 adopted the following resolution authorizing interest to be charged on delinquent taxes:

"BE IT RESOLVED, by the Mayor and Municipal Council of the City of Passaic, that, pursuant to the power and authority vested in the said body by N.J.S.A. 54:4-67, the rate of interest to be charged by the City of Passaic for the nonpayment of taxes or assessments on or before the date when they would become delinquent be and the same is hereby fixed at 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500; provided, however, that no interest shall be charged if payment of any installment of such taxes or assessments is made within the tenth calendar day following the date upon which the same became payable.

BE IT FURTHER RESOLVED that said interest rate shall be and become effective upon the adoption of this resolution.

BE IT FURTHER RESOLVED that the Collector of Taxes of the City of Passaic and all other officers and employees of the City of Passaic concerned with the collection of taxes be and they are hereby ordered and directed to take all actions as may be necessary to affect this resolution.

It appears from an examination of the Collector's records that interest was collected in accordance with the foregoing resolution.

**CITY OF PASSAIC
GENERAL COMMENTS**

Delinquent Taxes and Tax Title Liens

The last tax sale was held June 11, 2013.

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax paying basis.

**CITY OF PASSAIC
RECOMMENDATIONS**

It is recommended that:

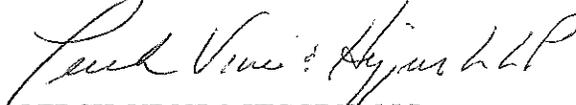
- * 1. The City maintain a fixed assets accounting and reporting system in accordance with NJ Administrative Code.
- * 2. With respect to the Municipal Court:
 - a) All outstanding tickets over six months be recalled and reassigned.
 - b) All tickets be assigned in the ATS System prior to their issuance.
- 3. Employee contributions toward health benefits be recalculated as of the anniversary date in accordance with Chapter 78 of the Public Laws of 2011.
- 4. Internal controls over Recreation Department revenue collection and payment procedures be reviewed and enhanced.
- 5. Policies and procedures be implemented for the monitoring of subgrantees to ensure compliance with the terms and conditions of the grant programs.

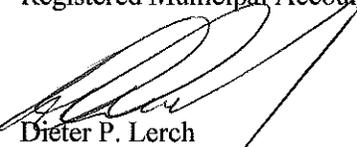
* * * * *

A review was performed on all prior years' recommendations and corrective action was taken on all, except those recommendations denoted with an asterisk (*).

The problems and weaknesses noted in our audit were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Dieter P. Lerch
Certified Public Accountant
RMA Number CR00398